

MANAGEMENT MATTERS: CREATING A 21ST CENTURY GOVERNMENT

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

**MANAGEMENT MATTERS, CREATING A 21ST CENTURY
GOVERNMENT, MARCH 12, 2014**

**MANAGEMENT MATTERS, CREATING A 21ST CENTURY
GOVERNMENT—PART II, OUTSIDE VIEWS, MARCH 31, 2014**

Available via the World Wide Web: <http://www.fdsys.gov/>

Printed for the use of the
Committee on Homeland Security and Governmental Affairs



**MANAGEMENT MATTERS:
CREATING A 21ST CENTURY GOVERNMENT**

MANAGEMENT MATTERS: CREATING A 21ST CENTURY GOVERNMENT

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

MANAGEMENT MATTERS, CREATING A 21ST CENTURY
GOVERNMENT, MARCH 12, 2014

MANAGEMENT MATTERS, CREATING A 21ST CENTURY
GOVERNMENT—PART II, OUTSIDE VIEWS, MARCH 31, 2014

Available via the World Wide Web: <http://www.fdsys.gov/>

Printed for the use of the
Committee on Homeland Security and Governmental Affairs



U.S. GOVERNMENT PRINTING OFFICE

88–282 PDF

WASHINGTON : 2014

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

THOMAS R. CARPER, Delaware *Chairman*

CARL LEVIN, Michigan	TOM COBURN, Oklahoma
MARK L. PRYOR, Arkansas	JOHN MCCAIN, Arizona
MARY L. LANDRIEU, Louisiana	RON JOHNSON, Wisconsin
CLAIRE McCASKILL, Missouri	ROB PORTMAN, Ohio
JON TESTER, Montana	RAND PAUL, Kentucky
MARK BEGICH, Alaska	MICHAEL B. ENZI, Wyoming
TAMMY BALDWIN, Wisconsin	KELLY AYOTTE, New Hampshire
HEIDI HEITKAMP, North Dakota	

JOHN P. KILVINGTON, *Acting Staff Director*

TROY H. CRIBB, *Chief Counsel for Governmental Affairs*

LAWRENCE B. NOVEY, *Chief Counsel for Governmental Affairs*

KRISTINE V. LAM, *Professional Staff Member*

KEITH B. ASHDOWN, *Minority Staff Director*

CHRISTOPHER J. BARKLEY, *Minority Deputy Staff Director*

PATRICK J. BAILEY, *Minority Counsel*

KATHRYN M. EDELMAN, *Minority Senior Investigator*

LAURA W. KILBRIDE, *Chief Clerk*

LAUREN M. CORCORAN, *Hearing Clerk*

CONTENTS

Opening statements:	Page
Senator Carper	1, 118
Senator Coburn	10, 117
Senator Ayotte	29
Prepared statements:	
Senator Carper	39, 155

WITNESSES

WEDNESDAY, MARCH 12, 2014

Hon. Beth F. Cobert, Deputy Director for Management, Office of Management and Budget	2
Hon. Daniel M. Tangherlini, Administrator, U.S. General Services Administration	5
Hon. Eugene L. Dodaro, Comptroller General of the United States, U.S. Government Accountability Office	8

ALPHABETICAL LIST OF WITNESSES

Cobert Hon. Beth F.:	
Testimony	2
Prepared statement	42
Dodaro, Hon. Eugene L.:	
Testimony	8
Prepared statement	55
Tangherlini, Hon. Daniel M.:	
Testimony	5
Prepared statement	49

APPENDIX

Chart submitted by Senator Coburn	41
Open recommendations submitted by Mr. Dodaro	74
Responses for post-hearing questions for the Record from:	
Ms. Cobert	81
Mr. Tangherlini	103
Mr. Dodaro	109

MONDAY, MARCH 31, 2014

Max Stier, President and Chief Executive Officer, Partnership for Public Service	122
Shelley H. Metzenbaum, Ph.D., President, The Volcker Alliance	125
Robert Johnston Shea, Principal, Global Public Sector, Grant Thornton, LLP	128
Tom Lee, Director, Sunlight Labs, The Sunlight Foundation	130

ALPHABETICAL LIST OF WITNESSES

Lee, Tom:	
Testimony	130
Prepared statement	182
Metzenbaum, Shelley H.:	
Testimony	125
Prepared statement	164
Shea, Robert Johnston:	
Testimony	128

IV

	Page
Shea, Robert Johnston—Continued	
Prepared statement	177
Stier, Max:	
Testimony	122
Prepared statement	157

APPENDIX

Report submitted by Max Stier	185
Responses for post-hearing questions for the Record from:	
Mr. Stier	214

MANAGEMENT MATTERS: CREATING A 21ST CENTURY GOVERNMENT

WEDNESDAY, MARCH 12, 2014

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 9 a.m., in room 342, Dirksen Senate Office Building, Hon. Thomas R. Carper, Chairman of the Committee, presiding.

Present: Senators Carper, Coburn and Ayotte.

OPENING STATEMENT OF CHAIRMAN CARPER

Chairman CARPER. Good morning, everybody.

I want to thank our witnesses for joining us this morning. It is great to see each one of you.

And I also want to thank my wife for waking me up this morning.

Normally, I catch the 7:15 train to come down here and get here at about 8:45, and I had set my alarm, my wrist alarm, and it went off, but I never heard it.

Fortunately, Martha said to me about 5:45, if you want to catch the 6:25 train, maybe you should get up. [Laughter.]

I said, yikes! And I did.

The train was on time. So was I.

Thank you, Martha.

But I want to thank our staffs for pulling this together and helping us prepare for this day.

I want to thank Dr. Coburn, who is going to join us momentarily, for the great work that he has done for years in these vineyards.

I have a statement I will introduce for the record.¹

Let me just make a couple quick comments.

Our folks here on the Committee have heard me say more than a few times that the three keys to deficit reduction, if we are serious about it, are tax reform that makes more sense out of the tax code and actually produces some revenues for deficit reduction; entitlement reform that saves money and saves the programs for future generations and does not savage old people or poor people; and just look at everything we do, everything we do, and ask how do we get a better result for less money or for the same amount of money.

¹ The prepared statement of Chairman Carper appears in the Appendix on page 41.

And I, from time to time, tell people who have quite a bit of money that they are going to have to pay some extra taxes if we are going to get the job done on deficit reduction.

More than a few times they say, I do not mind paying more taxes. I just do not want you to waste my money.

That is what they say: I do not mind paying more taxes. I just do not want you to waste our money.

Dr. Coburn and I have been working for years now, both as leaders of the Federal Financial Management Subcommittee of this Committee and now as leaders of the full Committee, to collaborate with the Office of Management and Budget (OMB), to collaborate with the General Services Administration (GSA), to collaborate with the Government Accountability Office (GAO), to collaborate with the Inspectors General (IGs), at large across our government, and to collaborate with other groups, non-profit groups that have a similar interest as we do.

How do we get a more effective government, a more efficient government?

How do we create a government that fosters economic growth?

How do we create a government that is actually sensitive to the needs of people, serving the people that put us here in these jobs?

So today, this hearing for me is like a “throw me in that briar patch” kind of hearing. I am just thrilled to be here and look forward to this conversation.

I look forward to hearing the progress that is being made and hear what the blueprint is going forward and how you are all working together and how we can be a partner in this and do oversight, do rigorous oversight, and how we can be a productive and proactive partner in this as well.

With that having been said, Beth, you are welcome to lead off and set the table, and then these guys will follow in your wake. Please proceed.

It is great to see you.

TESTIMONY OF THE HON. BETH F. COBERT,¹ DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Ms. COBERT. Thank you very much. Chairman Carper, thank you for the opportunity to appear before you and the Committee today.

I am honored to talk with you about how the President’s Fiscal Year (FY) budget supports the Administration’s effort to deliver a 21st Century government. Core to this effort is the President’s Management Agenda, the broad contours of which we released last week as part of the budget. The agenda’s initiatives reflect the Administration’s commitment to delivering better results for the American people.

I also appreciate the opportunity to testify along with Gene Dodaro and Dan Tangherlini, two individuals whom I seem to spend a lot of time with in meetings to great effect. OMB has a strong partnership and working relationship with GAO. We frequently leverage GAO’s findings in our work.

¹ The prepared statement of Ms. Cobert appears in the Appendix on page 42.

OMB also works closely with Dan and the team at GSA. They are leaders in the Administration's work on effectiveness and efficiency.

When we set out to design the Management Agenda last year, we began by listening. We listened to Federal workers, to business organizations and unions and Members of Congress and, of course, to the American people. With this input, we developed a comprehensive, forward-looking agenda to improve the way the government delivers for Americans. This is a living agenda. We will make adjustments where needed and expand upon areas of progress, and we welcome the opportunity to work with Congress to promote reforms that will support this agenda.

The key pillars of the Management Agenda are effectiveness, efficiency, economic growth, and people and culture.

Let me begin with effectiveness. The Administration's commitment to an effective government focuses on delivering a world-class customer service experience for citizens and businesses.

The budget builds on initiatives already underway to create high-quality user experiences for services, such as veterans' pension and disability applications, Social Security and taxpayer assistance.

The budget also significantly invests in areas to help businesses, for example, enhancing and expanding SelectUSA to promote inbound investment in the United States.

The Administration will also focus on smarter information technology (IT) delivery. We have made strides in improving management of IT spending through new mechanisms like PortfolioStat, a data-driven review of agency IT portfolios, but clearly, we have much more to do. To ensure smarter IT delivery, we need the best talent working inside government, the best companies working with government, and the best processes in place to ensure accountability for delivering results to the American people.

Second in the agenda, efficiency. We are increasing the quality and value in core operations to enhance productivity and increase cost savings. We will expand strategic sourcing, using the Federal Government's buying power to save on essential purchases. We will also increase shared services across the government in human resources, finance and IT. And we will expand on successful efforts already underway to reorganize and consolidate programs and reduce duplication.

The Administration is committed to accelerating progress and lowering administrative overhead, cutting improper payments, saving on real estate costs, reforming military acquisition and consolidating data centers.

Third, our Management Agenda invests in the Administration's commitment to economic growth. Making government-generated data and the products of federally funded research and development (R&D) available to the public can promote innovation, job creation and economic prosperity.

Since 2009, the Administration has released tens of thousands of government data sets to the public while ensuring strong privacy protections are in place. Private companies have used government data to bring transparency to retirement plans and help consumers find fraudulent charges on their credit card bills.

We continue to support opening up Federal data, especially for high-impact sectors, like education, health care, energy and tourism.

Additionally, we are accelerating transfers of innovation from lab to market, for example, by proposing increased funding for the National Science Foundation's public-private Innovation Corps.

The fourth area of focus for the Management Agenda is people and culture. A 21st Century government depends on an engaged, well-prepared, and well-trained workforce with the right set of skills for the missions government needs to achieve.

Despite the challenges of the last few years, Federal employees continue to persevere and serve the American people with passion, professionalism, and skill. We want to make sure that these talented public servants have the right tools and are supported by a culture valuing excellence and encouraging innovation.

We will prioritize leadership development. We will recruit the next generation of Federal leaders. We will sustain our workforce so it can continue to do the work of the Nation for decades to come.

We also want to invest in our Federal workforce by developing governmentwide enterprise training and resource exchanges. For example, the budget includes financing for the Office of Personnel Management (OPM) to expand opportunities for leadership development in the Senior Executive Service (SES).

As you can see, the President's Management Agenda is ambitious and cross-cutting. In some areas, we are looking to extend our progress. In others, we are moving forward in new ways.

As the Administration works to deliver on this agenda, we are also committed to driving effective performance management across the government, using the framework developed with Congress in the Government Performance and Results Act (GPRA), and the GPRA Modernization Act. The performance framework includes goals and performance reviews at three levels.

First, Cross-Agency Priority Goals. The Administration has established 15 management and mission Cross-Agency Priority (CAP) Goals, released this week. These give us the tools to bring agencies together on issues that require close coordination. These goals will help us to deliver on the Management Agenda and on core mission activities, including reducing veterans' homelessness, encouraging foreign direct investment, improving cybersecurity, and others.

Second, Agency Priority Goals. Agency leadership have committed to nearly 100 Agency Priority Goals focused on a range of important issues. These include reducing health care-associated infections, increasing energy efficient housing, and expanding small business access to export financing.

Third, agency strategic plans and annual reviews. This year is the first year we will be releasing updated agency strategic plans along with the budget. These strategic plans articulate the agency's mission, long-term goals, specific strategies, and actions. The reviews allow us to monitor progress in these areas.

All of this information—the CAP Goals, the Agency Priority Goals, and the strategic plans—is available to the public through Performance.gov.

The Administration and agencies will be holding regular performance reviews against progress. We will be publishing this

progress on the site as well. In this way, the public will be able to see how we are doing and hold us accountable.

In conclusion, the Administration is focused on improving management to drive higher performance in the services the Federal Government provides for citizens and businesses and in the value achieved with taxpayer dollars. We have put effectiveness, efficiency, economic growth and the Federal workforce at the center of this effort. With a strong focus on execution and accountability, we look forward to working with Congress to create a 21st Century government that will make a significant, tangible and positive difference in the lives of the American people.

Thank you.

Chairman CARPER. Thanks so much. Thanks for coming all the way from California to help lead the team at OMB.

I have asked Dr. Coburn if he wants to make any kind of opening statement. He has said no.

He is almost always here before me. It is rare that I get here before him. Today, he went to a prayer breakfast. He is praying—we all need to pray.

It is often that people say to us in our work, that they are praying for us, which is good.

And one of the things that I always ask them to remember in their prayers is to pray for wisdom for us, and this is part of what we are up to today.

Nobody in the House or the Senate has done more to really work these vineyards than Tom Coburn, and I am happy to be his partner in these efforts.

All right, Dan, welcome. Great to see you.

**TESTIMONY OF THE HON. DANIEL M. TANGHERLINI,¹
ADMINISTRATOR, U.S. GENERAL SERVICES ADMINISTRATION**

Mr. TANGHERLINI. Thank you very much, Chairman Carper, Dr. Coburn and Members of the Committee and staff. I appreciate the opportunity to appear before you today.

And, before I go any further, I am glad to have the opportunity to share this panel with Beth Cobert and Gene Dodaro. Both have done so much to address the important issues we are discussing today.

As Beth described, the Administration is committed to providing the American people with a government ready to meet the challenges of the 21st Century. During the last 5 years, we have made progress toward meeting that goal, but there is still much work to be done.

The President's Management Agenda looks to continue this progress with a focus on four key areas—efficiency, effectiveness, economic growth, and people and culture.

As a provider of real estate, acquisition, and technology services to the Federal Government, the U.S. General Services Administration is uniquely positioned to help agencies in all four of these areas. Today, I will discuss GSA's common sense efforts to support this Management Agenda.

¹ The prepared statement of Mr. Tangherlini appears in the Appendix on page 49.

GSA encourages efficiency across government through a variety of initiatives which help agencies buy smarter and reduce their real estate footprint. The Federal Strategic Sourcing Initiative (FSSI) is an integral part of this effort. This program creates significant savings by having agencies collectively commit to purchase certain commodities at the best value. Since we began using this program in 2010, we saved more than \$300 million for Federal agencies while increasing the participation of small businesses and reducing duplication across the government.

At GSA, we have the ability to offer innovative technologies and digital services to our partners that reduce duplication, increase transparency, and improve efficiency. One example is the Federal Risk and Authorization Management Program (FedRAMP), which eases the adoption of cloud computing for all agencies by providing a standardized approach to security assessment, authorization, and continuous monitoring for these services.

Additionally, GSA maintains the Prices Paid Portal. The tool is intended to provide greater visibility of the prices paid by government agencies for commonly purchased goods and services.

Now we are not just supporting the President's Management Agenda through improving acquisitions; GSA is also encouraging efficiency by helping agencies to reduce their real estate footprint.

One of the most important ways we are supporting the Administration's agenda is by assisting agencies in using their space more efficiently through the Total Workplace Initiative. This program provides the resources and expertise to assist Federal agencies in reducing their office space, fostering collaboration, better managing IT spending, and increasing energy efficiency.

GSA has recently transformed our own headquarters in Washington, D.C. into a mobile, open work environment which serves as a model for what Total Workplace can do for our partners. This transformation has allowed us to collapse 6 leases into a single building, resulting in more than \$24 million in rent savings alone.

A meaningful opportunity exists for significant savings that can be directed toward fulfilling agency missions and better serving the American people.

The President's Fiscal Year budget also includes another tool that will enable us to make valuable upgrades to our partners' facilities. It is called zero-net budget authority. This will enable GSA to invest the rent it collects from partner Federal agencies into repair and upkeep of our Nation's buildings. Supporting GSA's budget request for the Federal Buildings Fund will allow us to continue to make these cost saving investments.

However, when facilities either cannot be sufficiently repaired, better utilized, or it is not cost effective to do either, GSA helps agencies dispose of excess property. In fiscal year 2013, GSA disposed of 213 properties, generating about \$98 million in proceeds. We will continue to work with other agencies to remove more properties from the Federal inventory.

GSA is committed to driving down prices, delivering better values, and helping reduce costs so our partner agencies can focus their resources on their own important mission.

GSA is also working to provide the tools and services our partners need to serve the American people as effectively as possible.

In support of our fellow agencies, the Office of Governmentwide Policy is working toward improving government by developing evidence-based policies that are designed to lead better Federal mission delivery. GSA's FY 2015 budget request will enhance data, analysis, and policy efforts to drive progress in right-sizing the Federal fleet, developing the civilian acquisition workforce and enhancing cybersecurity efforts, among others.

Another way GSA is supporting the President's Management Agenda is Data.gov. This website is the flagship open government portal which enables easy access to, and use of, hundreds of thousands of data sets from over 180 government agencies. This website supports businesses throughout the country with valuable information that is unavailable anywhere else. By creating an open environment, GSA allows anyone, whether an individual or a business, to take public information and apply it in new and useful ways.

GSA is committed to ensuring that we have the most capable individuals supporting government efforts as well. Through initiatives such as the President's Innovation Fellows (PIF), we are working to attract exceptional talent to solving the toughest challenges of government. Developed in conjunction with the White House Office of Science and Technology Policy, this program assigns some of our Nation's brightest women and men to specific agencies, to quickly and effectively address some of their most difficult and persistent problems. This expedited approach is one that GSA is using in support of additional projects, and we anticipate expanding, moving forward.

Finally, GSA is also doing its part under the Government Performance and Results Modernization Act to assist agencies in achieving Cross-Agency Priority goals. These efforts include programs that range from cybersecurity to sustainability to data center consolidation.

One particularly crucial priority that Beth and I are co-leading focuses on Benchmarking Mission-Support Functions. This effort will establish common metrics for common administrative functions. By establishing benchmarks, the Federal Government will be able to assess the effectiveness and cost of similar functions. This effort will allow for the identification of best practices and services to improve efficiency and reduce cost.

At GSA, we are working to use the size and scope of the Federal Government to drive down costs and increase efficiency in support of the President's Management Agenda. I believe that our agency's work, which is supported by our FY 2015 budget request, will be invaluable in furthering the Administration's efforts.

And I appreciate the opportunity to be here today, and I am happy to answer any questions you have.

Thank you.

Chairman CARPER. Thanks so much. We are delighted that you are here.

Have either of you testified alongside Gene Dodaro in the past? This is a first for you, Beth?

Ms. COBERT. I have not yet had that privilege.

Chairman CARPER. OK. Dan?

Mr. TANGHERLINI. I believe I have.

Chairman CARPER. It is a great experience, and here in the next several minutes you will see why.

Gene, welcome. Thank you.

TESTIMONY OF THE HON. EUGENE L. DODARO,¹ COMPTROLLER GENERAL OF THE UNITED STATES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. DODARO. Thank you very much, Mr. Chairman, Dr. Coburn. Nice to see both of you today.

I appreciate the opportunity to talk about the President's Management Agenda.

I will focus my remarks this morning on three areas. One is where items in the agenda are consistent with GAO's work. Second, I want to underscore the fact that effective implementation is essential to successfully achieving any of the items in the agenda. And, third, I want to highlight a few areas that while they are receiving some attention I believe deserve even greater attention.

First, on areas that comport with our work, I would cite the information technology area as one example. We have to eliminate the waste that goes on in IT purchases and get a better return on our investment. It is essential to improving services.

The suite of new tools that have been put in place by OMB have been effective, but we think they need to be expanded to broader areas and more diligently applied, and they can yield a lot better benefits.

Improper payments. Last year, the estimate of improper payments was over \$100 billion by the Administration. That estimate is not yet complete. And I am particularly concerned that half of the improper payments are occurring in the health care programs of Medicare and Medicaid that are among the fastest growing programs in the Federal Government.

So we have to get a better handle on this issue, or the size of this problem, in my opinion, may grow rather than shrink despite the Administration's concerted efforts. We need to address root causes and have more preventive controls in place.

Strategic sourcing. Strategic sourcing is an area where the Federal Government is only leveraging a fraction of its purchasing power. And I am pleased to see it included in the agenda, but we think more aggressive goals can yield very significant savings. Even a 1 percent increase can lead to \$4 billion a year in savings.

We have studied private sector efforts. They are getting 10 percent a year on a regular basis. So I think this has a lot of potential.

Strategic human capital management. I am very pleased to see the focus on that in the agenda. There are critical skills gaps across government. There are succession planning challenges that are very significant. And there are morale problems.

This is an area that really needs attention. I am very concerned about this area and the potential it has for causing additional performance problems if not properly attended to over the next few years.

Last, the area I would cite as an example is the focus on defense weapons systems acquisitions issues and services acquisitions

¹ The prepared statement of Mr. Dodaro appears in the Appendix on page 55.

issues. This is an area we have had on our high-risk list for a while.

Best practices are being put in place in policy, and they are starting to have some effect, but they are not having the full effect yet in bringing down the life cycle costs of the weapons systems portfolio going forward.

Now, in terms of effective implementation, in addition to the examples I have cited, we have focused a lot, working with Beth and OMB and the agencies, on the high-risk list.

We have had a series of meetings with OMB and the agencies on the high-risk list, and GAO. I have personally participated in those meetings along with Beth. We had one on real property with Dan. And they are very constructive, productive meetings.

We focus on the five criteria to get off the list and the focus on what needs to be done. One, you need to have leadership commitment. You have to have the capabilities and the resources. You have to have a corrective action plan that really gets to the root cause of the problem. You have to monitor progress to make sure you are on track. And you have to actually start fixing the problem. You do not have to have it all fixed, but you have to have it fixed enough for us to consider taking it off the list.

So those efforts will continue and, hopefully, pay large dividends in the future.

In the area of GPRA implementation, both Beth and Dan have mentioned that, and that is very significant, particularly to help address overlap, duplication, and fragmentation. You also need a good program inventory.

Efforts have been started to put in place the inventory of programs across the government, but there was too much flexibility, in my opinion, given to the agencies. And so the inventory is limited in its ability to compare across the government, and it does not include relevant tax expenditure to allow for even a broader degree of checks on overlap, duplication, and fragmentation. It also needs to be expanded beyond the 24 largest departments and agencies.

There are additional efforts that could enhance better collaboration among the agencies. I think that is a very important component.

These strategic reviews that agencies are about to begin this calendar year are important, and they are supposed to identify other Federal programs and activities and resources that are relevant to helping them achieve their objectives. So that should help flag overlap, duplication, and fragmentation as well in the Federal Government.

And there is a greater focus on enhancing better performance information. As I have testified before on our overlap and duplication analysis, we often find performance information lacking on many programs and activities, and even detailed budget information is not available to know how much is being spent on programs that are aggregated and usually rolled up into larger figures.

Now in terms of areas that I think are getting some attention, that are on the Administration's radar screen, but I think really need even greater attention by the agencies and the Congress:

First, is we are still not able to give an opinion on the government's consolidated financial statements. The Federal Government

owes the public a proper accounting for the resources that are spent on their behalf, and we have been unable to do that because of serious financial management problems at the Department of Defense (DOD) and at the Treasury Department in terms of eliminating transactions among governments and properly compiling the consolidated financial statements.

Now this year we saw the Department of Homeland Security (DHS) for the first time get an unmodified opinion, and right now, most of the individual departments and agencies, 23 out of the 24, can get unmodified opinions. So there is a lot of progress at the individual agency level.

DOD owns about a third of the reported assets and about 16 percent of expenditures. So, without DOD coming into alignment and being able to pass an audit, we are going to continue to have problems.

Second, overlap, duplication, and fragmentation. There is a lot of effort that OMB has put on in this to focus the performance officers of individual departments and agencies on following up on our recommendations. And some progress has been made, but there are many opportunities that have not been exploited.

And I think those discussions have to elevate because of the problems across departments and agencies. OMB and Congress are going to have to get involved to solve some of the real significant problems across multiple agencies. It is just not going to happen without more intervention of that nature.

And, last, cybersecurity. I know there are efforts underway on this challenge, but it is a serious problem that grows every year in terms of the significance of the threats. There is a need for concerted efforts on the part of the Administration, but also the Congress needs to pass legislation in this area to better give the authority that is necessary to the Department of Homeland Security and to provide a framework for greater information-sharing between the private sector and the public sector.

So I appreciate the opportunity to be here today and appear with Beth and Dan, in particular, and would be happy to answer any questions.

Chairman CARPER. I am going to yield to Dr. Coburn in just a second.

I just want to say, once again, Mr. Dodaro has given a tour de force. I do not see how he sits here. And it is not just once or twice he does this. I mean, year after year he comes, and he testifies without any notes, and he is very thoughtful and comprehensive.

I just feel very fortunate that you are in the position that you are in, and I feel fortunate in the position that we are in.

So, Dr. Coburn, take it away.

OPENING STATEMENT OF SENATOR COBURN

Senator COBURN. Thank you.

I would like to make just this statement first—that very rarely do we have before us people that I think both Chairman Carper and I have such confidence in, and that is a credit to you, but it is also credit to the President in terms of his selection.

So I recognize the effort, the professionalism, and the expertise that all of you bring to the table. It is appreciated and is wonderful to have people of your caliber in these positions.

I have a lot of things I want to talk about and questions I want to ask, but I think let me first followup on Gene's comment.

This is a little floor chart that comes from, I think, 1909 on Duplication Nation.¹ This is not a new problem. And they were talking about savings thousands, even millions, of dollars back then.

But the point is, if we talk about the GPRA Modernization Act, OMB made a critical mistake in their definition of the program.

And this is the point I would make with you. You cannot manage what you cannot measure.

In our discussions with you and Sylvia, we talked about the Taxpayers Right-to-Know Act, and that has passed the House. We have a lot of co-sponsors in the Senate, it is bipartisan. We have four Democratic co-sponsors in the Senate. My hope is to get Senator Carper on that.

And I know we have some concerns about the efforts that that would mandate.

But the point I would make to you, which goes along with what Gene had talked about, is until we know what is there and the people running the programs know what is there, you are never going to be able to manage them.

And this is a tough way of getting there. I recognize it. But there is no other way it is going to get there.

You are always going to have the constituent agencies saying why they cannot, and this bill says, here is what you must.

The other thing I would make, in reference to what Gene said, is it is not just that the American people are owed it. The Constitution mandates an explanation of where we spend our money and how we spend it. I mean, that is a requirement of the U.S. Constitution.

And Gene mentioned, for example, improper payments. The Death Master File (DMF) is a big problem in that, and yet we still have not solved the Death Master File problem.

We have legislation. We could pass that legislation. Congress has not done it, to give the authority so we can actually utilize the data across the government to know who is alive and who is not.

I mean, we are still paying billions of dollars out to dead people, every year, because we failed to do the simple things.

So I would just come back to the following point; there are a lot of ways to skin this cat.

And I have a lot of confidence in what you are doing at OMB.

My staff is young, and so when they read through this, they said, well, where are the metrics, and having not a fine appreciation for management.

But I would just draw this corollary. In the early 70s, I built and ran an almost \$100 billion business. The only way I did that was knowing where the money was going out, who was responsible in each area and holding each of them accountable to that.

That is where we need to get in the Federal Government, and I know all of your goal is to get there.

¹ Chart submitted by Senator Coburn appears in the Appendix on page 41.

The question is, how do we get there more quickly, and how do we take the tough medicine—which I think the Taxpayers Right-to-Know is tough medicine.

But once it is done everything else that Gene has to do, Dan has to do, and you have to do, Beth, becomes much easier because now you know what is there. The second thing is the American people know.

So, in reading through the Management Agenda, the only real question that I have about it is, where are the specific metrics that the American people can see and Congress can see as to how you are performing because that is the thing that is missing?

I know you all know what that is, but that is not put forward for us to know. And until we can see it and until the American people can see it, we are not going to have the transparency in government that is necessary to combine both the legislative branch to give you the other things you need.

A lot of questions, and I think we will probably come back, and I will have a second chance.

The other thing that I would just mention to Dan is one of the things that should have come out of the President's budget is a recommendation to change the Budget Act so that when we purchase real property we can purchase it instead of lease it.

The way we score it under the present Budget Act is the entire cost of the building is taken as a hit in the year that it is purchased rather than amortized over the life of the building, which means, now what do we do? We rent the vast majority of Federal space.

And every manager will tell you if you are a good manager you can own a building cheaper than you can lease it because that profit differential in there for the asset holding is potential savings to the Federal Government.

So there is a lot of areas that I want to cover, and I will come back with specific questions when it is my turn again.

Thank you.

Chairman CARPER. Boy, I almost do not know where to start.

I will start with us. I will start with Tom Coburn and Tom Carper and the folks we serve with here. Sometimes people call us T.C.-squared, and sometimes people call us other things, too. [Laughter.]

Senator COBURN. Me more than you.

Chairman CARPER. No. [Laughter.]

Gene mentioned it is great to have a good game plan. What is really even better is to have a good game plan and the ability and the determination to implement it.

This is a shared responsibility. This is a team sport, and we are part of the team. We do oversight, and that is our job, but we are also a part of that team and part of that shared responsibility.

Some of what is needed to get results out of any organization is leadership. Your example is terrific leadership, and we have many other examples throughout our Federal Government. But, as Tom and I know, there are still gaping holes in this Administration.

And we worked hard, especially in the Department of Homeland Security where we have jurisdiction, to fill those gaping holes. We worked very closely with Sylvia Mathews Burwell to make sure

that she had the kind of leadership team that she has and to be helpful, and GSA as well.

We still have too many holes. In some cases, the responsibility is ours. We have people that have been nominated and vetted here in the legislative branch. We have voted on them, reported them out, and they are just awaiting action on the floor.

But in a number of instances, the ball is in the Administration's court, and we just need the Administration to do its job.

We have a responsibility to do ours.

But, in terms of morale, getting things done and follow-through, having Senate-confirmed leadership in these positions, as you know, is just critically important, more important than I ever imagined when I came here.

OK. each of you have mentioned improper payments. I want to dwell on that just for a moment.

People say to me, why do you spend so much time talking and thinking about improper payments?

Who was the guy that they used to say, why do you rob banks? Willie Sutton.

Willie Sutton, yes.

They said, why do you rob banks?

He said, that is where the money is.

Tom, we had—and I am sure you had in your office—last week, we had a delegation from Delaware from the Veterans of Foreign Wars (VFW) and some really smart people.

And one of them actually had a spreadsheet that he had prepared in order to try to point out some ways that we could save some money and be able to direct that money toward helping veterans. To my delight and pleasure, one of the areas that he had highlighted was improper payments. He actually knew that improper payments were, I think, \$121 billion just a few years ago, down to \$108 billion, down to \$106 billion.

And he said, that is still \$106 billion, and you have to do something more about that.

As we know, almost half of that \$106 billion is in the health care area, and I was pleased to see the Medicaid piece of that continue to trend down in the most recent results. I was concerned to see an uptick, a significant uptick, of about 10 percent in the Medicare portion.

And let's just start there and ask a question. Why? Why did that happen, and what can we do about it? What can we do about it? Anybody?

Beth, do you want to start?

Ms. COBERT. Sure, I will start.

One of the things that we do in OMB in reviewing improper payments is to go through each of the areas in a quite disciplined way to actually understand both what caused improvements—so are there lessons that we can learn that we can either extend in that area or apply to others? Or, in the place of where we have seen slip-back in progress, what is causing it and what are the actions we can take?

In looking at Medicare, we saw that rise and had the same level of concern that you expressed. There are a couple of different fac-

tors that we saw and that we are working with Health and Human Services (HHS) to address.

For example, one of the factors driving the change and the uptick in Medicare was some change in some of the requirements for getting the payments in terms of in-person visits and others, which actually led to errors in how people had done the paperwork. That counts as improper payments. They have tried to address those going forward.

But we have an active program with HHS and the team at the Office of Federal Financial Management (OFFM), that works on this, to go through each one of those, make sure there is an action plan in place, work with the IGs, and address them. So we are working through that with them on Medicare and also to see what we can do to sustain the progress on Medicaid.

Chairman CARPER. All right. Dr. Coburn and I have co-authored legislation. We call it the PRIME Act, P-R-I-M-E Act. At large, it relates to how do we get better health care results for less money or the same amount of money, a lot of smart ideas, some we have come up with, some our staff has come up with, others that we have just gotten from you and from GAO.

Gene, I am going to come to you on this.

The PRIME Act—we have appended that as a part of the sustainable growth rate (SGR) fix, the “doc fix”, legislation that is coming out of the Finance Committee. And, hopefully, we can get that done and, in doing so, address many of the provisions or concerns that are part of the PRIME—reasons why we introduced the PRIME Act.

Gene, let me yield to you on this.

One of the hard things we deal with sometimes when Tom and I introduce legislation like this, and others too, that is designed to save money, it is tough to get a score out of the Congressional Budget Office (CBO) that actually verifies or certifies that we are saving money. It is really weird that we do these program provisions and bills and amendments, and instead of getting credit for saving money, it comes to us from CBO as an added cost, which just drives us crazy.

Gene.

Mr. DODARO. We have a number of open recommendations in the Medicare improper payment area that I will submit for the record¹ but a couple that I remember—

Chairman CARPER. Go ahead.

Mr. DODARO. One is to have providers that are entering in the program post a surety bond. So, if there are problems with that provider, if they do not prove to be a legitimate provider or their billing practices are not correct, the program at least will have some money to offset what those costs will be. That has not yet been implemented as I recall.

Second, the Centers for Medicare and Medicaid Services (CMS) had put in place a number of additional automated tools, but they had not trained up their people properly to be able to effectively use the tools.

¹ Information submitted by Mr. Dodaro appears in the Appendix on page 74.

And then, third, they need some additional predictive analytical technologies to prevent the improper payments in the first place. You have such a big volume of transactions and relatively small amounts that you have to have IT skills in order to do this properly. They are making investments, and they are trying, but they just really need to expedite those efforts.

So those would be three things I would offer.

Chairman CARPER. In terms of how to make continued progress here, any advice for us? And then I am going to yield back to Dr. Coburn.

But in terms for making extra progress here, what further do we need to be doing?

Mr. DODARO. I would suggest having a focus on what IT investments that they are making and what they expect to get out of it.

And they have estimated that they are going to save tens of billions of dollars, but we do not see the metrics necessary to demonstrate the level of savings.

So I would suggest a dialogue on those issues.

Chairman CARPER. All right. Thank you.

All right, Dr. Coburn.

Senator COBURN. Beth, let me come to you. You talked about \$1.6 billion in savings from PortfolioStat, but GAO reports that the actual potential for cost savings is around \$5.6 billion—\$5.8 billion. Why is it that GAO is finding much greater potential savings than you are?

Ms. COBERT. We are continuing to work the PortfolioStat process at the overall agency level, and one of the things we have been pleased by is to see agencies actually take this up inside their organizations.

As we continue to look at IT, we are looking at new areas in terms of how we can improve and capture savings, whether it is through better efficiency within data centers in addition to consolidating them, better ways of bringing systems together, more use of the cloud.

So we think there is more room to run in terms of making progress against those, and it is our commitment to continue to look at that and see how we can continue to make progress particularly on the more commodity parts of IT devices, consolidated mobile purchases, et cetera.

From my experience in the private sector, this is one you just have to keep going at because some of the underlying costs of storage and of transmission continue to fall, capabilities continue to rise. And so you cannot be satisfied with the ideas you identified last year. You have to keep generating the next set of them.

Senator COBURN. OK. What specific actions do you plan to take to actually improve the IT dashboard and to make sure that TechStats are used to catch and fix IT projects before they fail—because part of our problem is we do not catch it until it has failed. So where is the plan on that?

Ms. COBERT. We have a comprehensive effort underway to look at IT management, particularly around the application delivery side, which is more the TechStat side of things versus the PortfolioStat side.

And the issue that you have teed up exactly around doing TechStats earlier in the process is one of the ones that we are working toward. You want to get in there and look at them early and see what you can be doing.

Another place that we are looking at in terms of improving TechStat and sort of the delivery side of IT is thinking about how we adapt our methodologies to the more agile development model that exists today.

If you go back not that many years in time, the right way to build an IT system was to actually spend a lot of time, think about requirements and then deliver against those requirements. That was actually best practice.

If you look out in what companies are doing today—actually governments, when they are doing it well, are doing today—it is a different development model. It is much more about pilots and prototypes.

How do you start to get a sense of requirements? You pilot the IT tools and the software tools, and that will allow you to be much more flexible.

As we think about a process like TechStat, you do not want to be measuring compliance with requirements. You want to be looking early about how we are looking at needs and what are we doing to do that and, importantly, how are we incorporating continuous learning and feedback in that loop.

So this issue about restructuring and thinking about when you do TechStats and how you do that is one of the things we are looking at as part of our overall IT delivery efforts.

Senator COBURN. Will you commit to keep the dashboard both current and accurate because it is neither right now?

Ms. COBERT. We understand, and we are committed to trying to make improvements against the dashboard.

Senator COBURN. OK. The other question I have concerns chief information officers. You all did not mention that at all in your plan, and the role of the Chief Information Officer (CIO); in other words, having somebody that is accountable.

And in several of the agencies, the CIO does not even have the authority.

Has there been any thought given to giving OMB direction to what that role should be so you have a person that is accountable?

That is what our intent was when we did that, and yet, in several agencies, they have gone totally around that, and we still do not have an identifiable patient with which to hold accountable.

Ms. COBERT. The part of the IT delivery effort that we have underway where I talked about best process is, in fact, thinking about how do we structure that to get that point of accountability that you are describing.

And, in fact, it is both the CIO and how the CIO works with program leadership, how they work with the Chief Financial Officer (CFO) on the financial side on what they are delivering, how they work with the chief acquisition officers to make sure you are using contracted resources and you have a contract that is well structured.

But we need to think about how we get that point of accountability to drive things forward. So that is one of the issues as we think about process that we are working through.

Senator COBURN. Well, thinking about it is different than holding somebody accountable.

And I want to drive this point home.

Ms. COBERT. Yes.

Senator COBURN. If we have CIOs, they ought to have the power as well as be held accountable for the implementation of this, and what I am seeing is a different level of accountability across different agencies. And you all can fix that if you choose to so that we know where to go and who is responsible and who will be held accountable.

I think some of my back numbers were \$88 billion in IT purchases, and about \$44 billion of it got us nothing a couple of years ago. I am sure we are somewhat better than that, but that is pitiful. That is pitiful in terms of the money that we are spending.

Let me ask a question about strategic sourcing because the position of the GAO is that you all are not even coming close to touching what is potential there. Tell me what your thoughts are on that.

GAO says we could save \$12 billion a year, potentially. I am not sure we can get that high, but the point is we are at \$300 million.

How do we get to \$8 billion, and how do we listen to what GAO is saying, and how do we learn from the private sector, which you have a lot of experience in?

Ms. COBERT. So I would echo GAO's perspective that there is absolutely more we can do in the realm of strategic sourcing, both consolidating purchases and being smarter about what we buy.

In my private sector experience, when we looked at places where I have done this and we got changes, part of it was leveraging buying power, but another part was just buying smarter—making sure people were buying what they needed, not more. You did not need the high-powered PC if you were just basically doing word processing and e-mail on your desktop.

So how do you get requirements right?

One of the ways we are working through this—and I will let Dan add some of the specifics—is we are trying to bring on more categories. We have done some early experiments, but we need to bring in more categories of things that we buy in a common way across the government. So we are adding things around janitorial supplies, a second round of office supplies, a second round of delivery.

So we are bringing more categories in, and we are trying to get more consolidated efforts against those. We have set up goals for this year, and that is one of the Cross-Agency Priority Goals that we are committed to delivering against, working with GSA and our other partners in this effort.

Senator COBURN. Dan.

Mr. TANGHERLINI. I appreciate the opportunity to comment on that because Beth has been, in the time that she has been there already, a very powerful leader and supporter of telling agencies that they really need to join this effort.

We have five active strategic sourcing solutions right now. We have six that are currently underway to be developed. We just released and announced one—the Maintenance Repair and Operations Strategic Source Initiative.

I think the point is the one you are making. When we have sat down with the President's Management Advisory Board, which is a group of Chief Executive Officers (CEOs), there is no one there who says it is a good game plan to atomize your spend. There is no one there who says you should buy things three, four, or five different times or ways through multiple contracts and duplication.

And I think the trick is we really have to demonstrate in this early part of the initiative the value that we bring to agencies so as to make it obvious to them and clear to them why it is critical for them to participate.

Senator COBURN. Gene.

Mr. DODARO. I would just add a couple points as they deliberate how to approach this.

One is we have suggested that they target high-spend categories like services, for example, and also set better goals and metrics, as you mentioned.

But there are about 4 or 5 agencies that account for about 80 percent of all the spending, and I think focusing in on those large purchasing agencies, like DOD and Veterans Affairs (VA) and others, would yield results.

Holding them accountable and targeting the high-spend areas, can be ways to try to get a better payoff.

Senator COBURN. OK. Let me just followup, if you do not mind, Tom, for a second.

Dan, would you comment on the progress you all have made in your CIO role and the benefits and what the results are?

Mr. TANGHERLINI. No, I would be happy to.

About 18 months ago, shortly after I came over to GSA and we had completed the first round of our top to bottom review, we identified one of the critical issues that was facing our organization, in terms of managerial accountability and transparency, was the fact that we had people in these chief roles who did not actually have clear accountability and authority over the responsibility for which they bore the title.

So my Chief Financial Officer did not have all the finance people working for them. There were other chief financial officers, essentially, within the organization.

The head of human resources was not in charge and responsible and accountable for all the human resources professionals across the organization.

And the CIO, essentially, sat as the chairperson of a committee comprised of people who also bore the CIO title throughout the organization.

As a result, within GSA, we did not have an enterprise architecture for our information technology, and we were buying things once in one bureau and again in another. Even cases when we were buying the same thing, they were not integrated.

So we blew the whistle. We called a stop to that. We made the CIO, and we have gone through an effort to organize all the people

within the administrative functions, particularly the IT function, under that single accountable individual.

And we are beginning to see fruit borne from those efforts in the form of being able to integrate our systems, finding places where systems that we are developing for one part of the agency are extensible to other parts of the agency.

And, since what we do is really in service of all other agencies, we are even seeing opportunities where we can take the lessons we have learned and the progress we have made and share it with other agencies.

Senator COBURN. OK. Thank you.

Chairman CARPER. One of the things we do in our State—I do not know if they do this in Oklahoma or other States, but one of the things we do in our State is every year our congressional delegation—Senator Coons now, Congressman John Carney and I—co-hosts a veterans’ summit, and we invite all the veterans organizations in our State to come and meet with us at our big VA hospital and health care facility in Northern Delaware.

One of the things that we talked with them about is how the VA, 15 years ago, sort of developed the idea and implemented the idea of electronic health care records, and now it is being widely replicated in health care delivery systems across the country.

We also talked about an effort to provide a more seamless transition for following the health care of military members and service members as they transition to becoming veterans.

I remember when I was a Naval Flight Officer (NFO) for a number of years, and we used to—when we head out or we deploy—my squad was home-based in California. We deployed to different places in the Western Pacific, Southeast Asia.

And we would literally take with us—this is an orange folder, but—manila folders that were thicker than this that had our health care records, for each of us. We would check in at our new assignment, our new duty station, and if we needed to see a doc or get some health care, we would have our health care folder.

I got out of the Navy, off of active duty and went to Delaware to go to graduate school and showed up to the VA hospital, the same one we had the veterans’ summit at last week, all those many years ago and I had my manila folder with my health care records in it.

We are trying to do a whole lot better than that. As you know, we have electronic health records in the VA for veterans, and we have a different system over in the Department of Defense. So we are not asking our departing or people getting off of active duty to carry their folders with them to the VA. But it is not a seamless system, as you know, and it needs to be.

I do not know if, Beth, you can give us a little bit of an update on how that is going, but I think there is a great savings there and, frankly, a lot better customer service that could be acquired.

Ms. COBERT. Getting that transition to work well, getting the IT tools to work well, getting the processes to work well, getting the information to flow consistently is an area that we have been working on at OMB, both with the Department of Defense and with the VA. You have to get them both working together.

It is an area that is one of the focuses in the priority goals this year. In my discussion with Sloan Gibson, who is the newly confirmed Deputy Secretary at VA, he is very focused on these issues and getting those IT systems right.

In fact, as we looked for somebody within an agency to help lead the Cross-Agency Priority Goals on smarter IT delivery, we asked him if he could step up in that role, one, because there is a lot of focus on these activities at VA—they have a new chief information officer who is leading the charge there—and two, we thought it would be a great place because it is such an important issue for us to highlight and start to use some of these new tools and approaches. So we are very engaged in working with them on trying to make progress on that issue.

Chairman CARPER. Good.

Ms. COBERT. And we are working with him as a great partner having joined that team.

Chairman CARPER. Let me stay on the focus of veterans for just a moment.

A lot of folks in this country, who maybe never thought they would apply for disability from either the Social Security Administration or from the VA, have done so in recent years in part because we have made more eligible folks in the military who may have been or probably were exposed to Agent Orange and there are a lot of maladies that actually can qualify for veterans disability as a result.

We have a lot of people who were simply in a bad economy, the worst recession since the Great Depression, and have, frankly, been looking earnestly to find a way to supplement their income, and they have tried to see if maybe they are eligible for Social Security disability or for VA disability. And so we have seen a huge uptick.

We have had enormous backlogs, as you know, at the VA because of both of those factors.

And there is a strong effort underway to try to move from a paper system in the VA to an automated system in the VA, to add people. We learned from Secretary Shinseki's representatives at our summit that real progress is being made.

And I just wanted to know if this is something that is on your radar screen.

But, we talked about the three Es and the P—effectiveness, efficiency, economy and people. This actually touches base on a bunch of them.

A lot of these people are veterans, and some of them are desperately in need of help, and I just want to make sure that this is something the Administration is on and following.

Ms. COBERT. It is an area that the Administration is very committed to. In fact, it is one of the places where we are talking about trying to deploy some new talent around IT, leveraging the work, for example, from the President's Innovation Fellows, to focus on the issue of applications.

Making sure you get the information right the first time will both help get decisions made faster and make sure we have the right information to make the right decisions and make the process better. And we are going to hold ourselves to standards, in terms of measurable standards for performance, against that.

Chairman CARPER. All right. Yes, sir, Gene.

Mr. DODARO. On this issue, we made some recommendations recently, first, to get VA to have electronic access to medical records that the Social Security Administration has because a lot of people file for different types of benefits, and they have acted on that recommendation. So that is an improvement.

We have also recommended that they provide more access to the Guard and Reserve records, so they have quicker access to those records as well, and that they develop a strategic plan with better metrics to bring the backlog down. It has come down—

Chairman CARPER. Yes, it has.

Mr. DODARO [continuing]. From over 500,000 to over 300,000 now. So it is moving in the right direction.

And they are taking a lot of efforts, but they do not really know which effort is leading to which improvement because they are not measuring them as much as they could and need to going forward.

On the exchange of the health care records, this is an area where they have gone to this recent strategy of moving away from having one system to having separate systems that are going to be interoperable. But we have not seen a really good explanation of how that is going to work and why that is better than having a single record, or picking one of the two systems and just having people use that one system.

This is something we have tracked for years, and I can tell you in our opinion, it is really not on track after years of efforts. I am pleased about this focus on it, and they are bringing in some new people. But it is not as hard as it has been made to be if some people will make some tough decisions.

Chairman CARPER. Well, if much progress has been made on Healthcare.gov, on the troubling startup that we had there, if we can make that kind of progress, we ought to be able to fix this.

So I just want you to know this is one we are very much interested in and watching.

Let me yield to Dr. Coburn. Thanks.

Senator COBURN. One of the things the President mentioned in his State of the Union was job training. And the GAO, some time ago, listed out 47 job training programs for the nondisabled, of which all but 3 duplicated at least another one.

What is the plan? What is the progress—none of which, by the way, have a metric on whether they are successful.

And we did a lot of work looking at all those Federal programs as they applied to Oklahoma, as well as State programs, and what we found—our assessment doesn't mean it is right everywhere, but our assessment is Oklahoma is far superior in the State-run programs than any of the Federal programs. We are great at employing people and job training. We are not great with Federal dollars giving people a life skill with which to rise in our economy.

So what is the plan going forward? How do we assess that? What is coming forward?

The House has passed the SKILLS Act, which consolidated a large number of those and put metrics on every one of them. What is coming from the Administration on that?

Ms. COBERT. The Administration, through the budget and its actions, has a series of initiatives that we have called jobs-driven

training. The issue you raise is the one we want to focus on—how do we use training as a way to connect people to productive employment?

We are working with the private sector. We are working with the relevant agencies to have a much more coherent approach that starts with the job needs and then works back.

What are the skills that companies are looking for? We hear from companies that they need people with certain skills, and they cannot find them. That is what job programs need to help provide.

So how do you start from that end and work back? There is an effort underway to do that, looking across programs, looking at those metrics, connecting with the private sector and making those connections happen.

Senator COBURN. I would certainly recommend you go look at the Career Tech Program in Oklahoma.

Ms. COBERT. Terrific.

Senator COBURN. That is funded well, and that is their whole goal—is to try to develop training programs for what is needed in the economy rather than to create a job training program for people who do not have a job.

So I would just recommend it. We are proud of the success of the Career Tech Program in Oklahoma. It is highly successful.

Job Corps is an absolute failure in Oklahoma when you look at the metrics of who got a life skill.

And so, to me, it just drives me nuts that we continue to spend money on programs that do not achieve anything without truly reforming. Part of that is Congress's fault. That is not just OMB.

One other area—and I do not know if you all are addressing this, Beth, but the STEM programs. We have 209 STEM programs, over 100 of them at the Department of Defense. We do not have a metric on a one of them.

We are spending billions. We know we want more science and technology, engineering and math.

What should be our approach in Congress to help you with that?

And, Gene, I want you to comment on that as well.

Ms. COBERT. We have continued to make efforts to try and get better coordination and consolidation of Science, Technology, Engineering, and Mathematics (STEM) programs. We have done that in a couple ways. I can provide some of the overview, and I can get back to you with the details of how that is working.

One of the things we have done is to try and get greater focus within agencies on what is the group they are trying to reach: Are you trying to reach people who are already in graduate education? Are you trying to reach them earlier in their career? How do you get agencies to play lead roles in each part of those programs?

So, even if the programs still exist in different places, they are coming at it in a much more coordinated way.

There were some initiatives last year. There is another set of initiatives proposed in the budget this year because this is a critical issue for the economy. It is a critical area where we can make a difference, and we have to make sure that we are using those scarce dollars to deliver the best we can.

So I am happy to get back to you with more of the details, but there is an effort, and a focused effort, in the program this year to continue to make progress there.

Senator COBURN. Is there a role for Congress in terms of helping you accomplish what you want to accomplish, or should we just stay out and let you all run this?

Ms. COBERT. So I need to come back. I know there are always ways to try and figure out what we can do administratively. There are places, I am sure, where some ability to work with Congress will help us.

Senator COBURN. Here is what Oklahomans ask me: Why in the world do you have 209 different programs?

Can anybody give a logical answer to the American public about why we have 209 of those?

[No response.]

I take from the silence that nobody can.

So I would love to hear your thoughts on what we can do to help that and streamline it.

Ms. COBERT. I would be happy to get back to you with the specifics we are proposing in this area.

Mr. DODARO. A couple points I would make. When we looked at the 209 programs, we found that $\frac{2}{3}$ of them had never been evaluated. So you really do not know whether those programs are working.

Typically, what happens, and the reason you have the proliferation of programs, is that people are not satisfied with the existing programs; so they create a new one to assist a targeted group, as you know. And that, repeats itself over the years.

So regarding the role of the Congress in this particular case it is unlikely that the 200 programs will be able to be dealt with administratively. There will likely be a need for some statutory changes. I do not know that for sure, but just based on my experience I would say that is probably the case.

There definitely would be a need for better coordination because it crosses multiple appropriations committees.

And the Congress ought to ensure whatever programs are consolidated are required to have metrics and there is regular reporting on this because it is not going to be a one-time fix. There will be continued new developments in science and technology, engineering and math that are going to require changes to those programs.

Even if you reduced the number of programs to 50 rather than 200, you could have the same problem again 10 years from now, not knowing which of those 50 are working effectively or not.

So I think there are definitely ways that Congress can help in this area.

Senator COBURN. OK. One final question, and it goes back to the Taxpayers Right-to-Know Act that passed overwhelmingly in the House. It is something that we need to do.

I know there is resistance on the agencies because most agencies do not know all their programs and it will require them some work, but it is a one-time investment to finally get there.

Gene, I would like your thoughts on—we know why the GPRA is not working—because the broad definition that OMB gave on

programs. They put a whole bunch of them together and called that a program, and a lot of them that they did not call a program do not get reported. So, consequently, we do not have any accuracy in terms of the program.

Gene, your thoughts on that?

Mr. DODARO. I think that if you are going to pass the legislation, there needs to be a provision in there that there is one definition of a program that is going to be used consistently across the government. If that is not in there, you are going to end up—

Senator COBURN. It is in there.

Mr. DODARO. Yes. And so, that would be my only recommendation.

I have looked briefly at the requirements. I do not think they are unreasonable things to ask anybody running an agency and a program, to provide. There will be implementation challenges, as you mentioned, but they should be able to figure out a way to be able to provide the required information.

Senator COBURN. Gene, do you not think that the American people deserve to be able to go online and see what all the programs are and where their money gets spent?

Mr. DODARO. Of course, they should.

Senator COBURN. Yes.

Beth, I know in our conversations with you and Sylvia that there were what was called stakeholder concerns, and that really is the implementation. What are your thoughts now on the Taxpayers Right-to-Know Act?

Ms. COBERT. I think the issues we want to wrestle with as we go through this, to get to the goals you are describing in terms of that transparency, which we are committed to, is the path to get there, the effort that it takes to do this and to do it right, to produce data quality. As we know, the underlying systems that create this information were not designed to generate that, and so there is an effort involved in moving from that to consistency in data standards.

We are working through data standards in a whole number of areas. We worked through it in the grants reform work we did last year.

So what I think we would like to do is figure out how we can get from here to there, understand the work that is entailed, putting sufficient pressure on the system while we are doing it so that we can get to the goal we both share about having that transparency, ultimately. But it requires work and effort to get from here to there.

Senator COBURN. But you would agree the American people ought to be able to see that.

Ms. COBERT. We want to be able to provide transparency about spending, about results. We want to focus on those things as you do.

Senator COBURN. OK, one last thought. The last time I looked the only agency that knew all their programs was the Department of Education. They actually publish it every year. This is a nothing for the Department of Education because they have already done it.

The question I would ask is, why does only one agency in the Federal Government actually know all the programs that they are running?

Ms. COBERT. That is a good question.

I think agencies have come to this from different places over time, in terms of how their systems were set up, the way they operate.

They do think about "program" differently. That word has been used differently for many years. And their operational systems from which these data are driven were set up for different purposes.

So that is the challenge—translating from the systems we have to where we would like to go, and that is the effort we would need to undertake.

Senator COBURN. Actually, I see that as the excuse to not do it rather than the problem. And I do not mean to be curt with that. What I am saying is we will never get there if we always have a reason why we cannot perform versus OMB saying here is what the definition of a program is; here is the 3-year span; you will be there in 3 years.

If we have that kind of leadership, this will happen, and we will not have to have a Taxpayers Right-to-Know Act.

But we are going to get it. We are going to get the Taxpayers Right-to-Know Act on a level and a vote that is far beyond anything you have seen because, first of all, it makes common sense and, second, it is the right thing to do and, third, it will make our government better because we will actually know what we are doing.

And I know that is your goal. I know that is Sylvia's goal. I know that is the President's goal.

So my hope is that you will help us do that and do it in a way that you can swallow it. But we are never going to get control of things until we know what we are managing and we can measure what we are managing.

Thank you, Mr. Chairman.

Chairman CARPER. You bet.

I think, Gene, in your testimony, you talked a little bit about weapons acquisition, weapons procurement.

In our old jobs, in leading the Federal Financial Management Subcommittee, Dr. Coburn and I focused a bit on that very issue—weapons systems and cost overruns in major weapons systems.

I think the cost overrun maybe a decade ago was several hundred billion dollars, and more recently, it is over \$400 billion.

One of the weapons systems modernizations that we focused on was that of large cargo aircraft that the Air Force uses. At the time, we were actually leasing Russian aircraft to meet our needs for oversized cargo. Huge amounts of cargo were taken into Iraq and, later, Afghanistan.

And the Air Force had come up with the idea of modernizing C-5s, which were built in the 60s and 70s—huge planes, not the most dependable aircraft in the world. I will not go into the details, but just a good example is changing out the engines. They had to do engine changes every 1,000 flight hours as compared to every 10,000.

But the Air Force said, if we are going to invest, instead of buying a whole lot more C-17s, which are great planes, but are not as big and do not carry as much and go as far, why don't we modernize the C-5?

So we started off doing that, and today there are two squadrons of aircraft at Dover Air Force Base, which is really the home of air-lift on the East Coast of our country, and they are very good at what they do.

We have a bunch of squadrons of C-17s that do a terrific job. They are working in and out of Afghanistan and all over the world as well.

And now we have, I think almost 18 C-5Ms which are living up to expectations.

And in the contract that the Department of Defense has, the Air Force has, with Lockheed, who built the C-5 originally and is doing the modernization work down in Marietta, Georgia—there is a requirement that the mission-capable rate of the aircraft, once modernized, be at least 75 percent. That means if you had 100 of them, at any given point in time, 75 of them go out and do the job. That was the minimum stipulation.

I am told that the sort of early read on aircraft availability or operational capability is about 80 percent. So they appear to be actually above that metric.

A year or two ago, one of the C-5Ms actually broke 40 world records, flying cargo from Dover Air Force Base to the other side of the world. It can fly fully loaded, with a full bag of fuel, all the way across the North Pole and land in Afghanistan, and it can go all the way to Turkey without stopping for gas on the way. It is pretty amazing work.

Having said that, you pointed out we waste a lot of money in the Department of Defense. Some of it is weapons systems. Some of it is spare parts. It is all kinds of things.

At our veterans' summit, I mentioned to those who were gathered that we are on track right now, over the next 25 years, to actually be spending more money in DOD for compensation and benefits than we are going to have—that it will crowd out the whole budget. It will take the whole budget and not leave us anything for the warfighters and not leave us anything for weapons systems and weapons systems modernization. So that is a huge problem that we have.

I think we also have the opportunity—our controller there is leaving. Robert Hale is leaving. I think he is a good person. I think he and his folks have worked hard to try to get them heading in a better direction, but there is still a huge amount that is going to be up to his successor to do in this arena.

So this is sort of a broad question, but you raised the issue of weapons systems procurement and acquisitions and doing it the smart way.

The issue of strategic sourcing, I think, applies as much to DOD maybe as much as anybody else—they spend about 20 percent of our budget.

In terms of improper payments, DOD basically says, we do not have any.

Well, this is baloney. They probably have as many as any other agency, maybe more than most.

In adversity, lies opportunity. There is a lot of adversity here.

The war is winding down. We are out of Iraq. We are winding down in Afghanistan. There is a greater opportunity now just to focus on these issues and fight these battles on our home turf.

And so that is a broad question, but let's talk a little bit about the Department of Defense. The Marines are making a little bit of progress, I am told, in moving toward being auditable.

Let's just talk about the Department of Defense and how they are doing. What can we do to make sure they do a lot better?

Do you want to lead us, Gene? You raised this. Do you want to say anything else?

And then I want to kick it back to Dan and to Beth.

Mr. DODARO. Sure. We have seen in the weapons systems area they are actually bringing down the number of weapons systems in the portfolio. So that is a good sign.

And there are some early indications that they are getting better at the cost estimating for some of the initial purchases.

But they are not really managing yet the total life cycle costs of the development, and so there is still a lot of cost growth over time.

And we have focused on a couple of things there. One is make sure that the technology they are using is matured before they go to production. There is still too much concurrency, where we are going to production before we have ironed out all the technical details. So that is No. 1, I would say.

They do finally have best practices in their policies, but they need to follow them, and so congressional oversight is really important in that area.

Financial management. They have a plan, but I think that it is going to be difficult for them to stay on track. There is concerted effort that needs to be made.

They need to look at the workforce and whether they have all the right skills to be able to implement reforms properly and to deliver their audited financial statements—on time over that period of time.

The supply chain management area is another area where they are making some progress, but they do not have enough metrics yet to really track progress in that area. We have suggested additional metrics.

About 8 of the 30 areas on our high-risk list are DOD business practices. So we are focused on that. We will have a full update in all those areas next year.

My overall statement is they are making some progress. It is incremental, but they really need to make more progress in order to realize the billions of dollars they could save there that are necessary to meet urgent warfighter needs.

Chairman CARPER. About a year ago, Jane Holl Lute sat right where you are sitting now, Gene. Jane Holl Lute, at the time, was Deputy Secretary of the Department of Homeland Security—a terrific servant to the people of this country.

And she told us how she would actually come over and meet with you on a regular basis. I do not know if it was every month, but basically she would go through GAO's high-risk list as it pertained

to DHS and say, what do we have to do to get off the high-risk list? Whether it is being auditable, getting an unqualified audit, what do we need to do?

I think you all had a pretty good collaboration, and they made great progress through her tenure and that of Janet Napolitano.

Does a similar kind of conversation occur with the folks at DOD and GAO?

Mr. DODARO. Not at that level. In fact, we have been, as I mentioned earlier, having these meetings with OMB and the agencies on the high-risk list. We are waiting for the new deputy to be appointed at DOD to be able to have that discussion.

I have had discussions in the past with deputies at DOD, the deputy secretary level, but they have been far less frequent than they were with Jane and, ultimately, not quite as productive.

I am hoping they change that. Beth and I have talked about this. But there really needs to be a different paradigm there.

We are working at the different component levels, and this goes to our recommendation earlier about having a chief management official at the Department of Defense to really focus on these activities.

Ultimately, the Congress and the Department did not go with our recommendation to have a full-time dedicated chief management official at the Department. They double-hatted the deputy.

Now the deputy position is vacant, and the deputy chief management official officer is vacant, too. That person retired.

And so now with Bob Hale leaving, who I agree with you, has done a very good job over there, they are going to have three big vacancies to fill which are pivotal to making sure these management reforms operate effectively in the future.

So I am concerned, but I do plan to followup once those people get appointed.

Chairman CARPER. All right, Senator Ayotte, welcome.

I want to ask Beth, if she will, just to finish up responding to this question, and Dan as well, and it is on weapons systems procurement and ways to save money in the Department of Defense.

Do you serve on the Armed Services Committee?

Senator AYOTTE. I do.

Chairman CARPER. Oh, good. Well, this is probably one that is on your radar screen as well.

If we could, let me go just for another minute or two.

Beth, just very briefly.

Ms. COBERT. Sure. Let me just echo what Gene said about our commitment together to have these conversations with DOD. It has been held up a little bit by the number of management transitions there, but in my conversations with the individuals who are acting in those roles they very much welcome those conversations.

They are committed to do things like making improvement on audits. Improving their auditability is one of their Agency Priority Goals for this year.

One of the individuals, who led the work at the Coast Guard at Homeland Security to help bring them to the state where they could get a clean audit, has now moved over to DOD. So I think that brings the experience of somebody who took something that

was complicated and had the experience of making it happen to the DOD team. That is an important element.

They have made progress at the Marine Corps, and we are working with them on a range of different topics.

One of our Cross-Agency Priority Goals is strategic sourcing. We are working with DOD. In fact, Frank Kendall from DOD is the co-lead on that goal, both so we can leverage within DOD, as well as, between DOD and the civilian side.

So there is a number of places where we are working with them to address a number of the issues you raise.

Chairman CARPER. Great.

Dan, I do want to come back.

I want to recognize Senator Ayotte, who is good to join us and very faithful in her attendance. We are grateful for that.

And I want to come back on the strategic sourcing with respect to DOD if we could. Thank you.

Senator Ayotte, welcome.

OPENING STATEMENT OF SENATOR AYOTTE

Senator AYOTTE. Thank you, Mr. Chairman.

I want to thank all of you for being here.

I guess I am not sure who is best to answer this question, but one of the issues that has come up repeatedly with regard to the Armed Forces has really been the audit issue, and the Air Force has been the most challenging force with regard to getting up to audit compliance.

There was a recent hearing we had in the Senate Readiness Subcommittee, and in that, again, I am concerned that the Air Force is not going to get up to speed.

Can you give me a sense of that issue from your perspective—the importance of it, first, and second, where you see DOD in terms of their progress on this issue?

It is my sense that, for example, the Marine Corps has made progress, and the Army, but where are we with the Air Force and also some of the agencies that do not fall neatly within one of the forces, so I just wanted to get your thoughts on that.

Mr. DODARO. I would be happy to address that issue.

First of all, in terms of the significance, one of the main reasons we cannot give an opinion on the governmentwide consolidated financial statements is the serious financial management problems at the Department of Defense. They basically have been unauditable, and they account for about a third of all the reported assets for the entire Federal Government and about 16 percent of expenditures last year. So this is a very significant issue.

It is also significant because it limits their ability to manage efficiently—

Senator AYOTTE. Right.

Mr. DODARO [continuing]. And effectively within the Department.

They have started with a new plan now. This requirement for them to do this has been on the books since 1996.

Senator AYOTTE. No kidding. Since I got elected in 2010, I have literally, probably, in every hearing where it is relevant raised this issue and pressed them on it.

So I think this has been a requirement on the books for too long, and we have to get there.

Mr. DODARO. Right. Yes, right now, 23 of the 24 largest departments and agencies can get an unmodified opinion. So the DOD is the one big example where it has not yet occurred.

They are finally focused on trying to audit their budget figures for a year and also the existence and completeness of their assets so they know how many they have and where they are, et cetera, which are two fundamental things that they need to do.

So they are making some progress, but I think there are some real questions whether they are going to achieve their goals to get the statement of budgetary resources by 2014 and auditability by 2017.

We are monitoring it very carefully, and we would be happy to provide more details to you about that.

I have been following this the whole time, since the 90s. For the first time, I think they are really seriously trying to make the improvements, but I think they are overwhelmed with all the requirements that they have and changes that they have to put in place in order to properly account for money.

We did a look at the Army and whether they were ready for their payroll audit and found that their payroll systems and their personnel systems did not reconcile. So they were not really ready to even pass a payroll audit.

I think there are questions not just at the Air Force but all the main services.

Senator AYOTTE. Well, also, I certainly would love to hear your advice going forward, serving on both committees, on how we could help. Obviously, keep raising the issue in the committee but how we could really help get them over the finish line and make sure that we hold them accountable for this because this is just a fundamental issue in terms of identifying where taxpayer resources are going and are they being used effectively.

Mr. DODARO. I agree with you. We would be happy to help in any way we can in this area.

Senator AYOTTE. Thanks. Appreciate it.

Ms. COBERT. And this is a place where at OMB and the Office of Federal Financial Management work closely with DOD.

I think Gene is right in terms of the renewed commitment and a new plan to move forward and where we work closely with GAO—I think everybody agrees it is an important issue. We just have to get there faster.

Senator AYOTTE. Yes. It has just been too much foot-dragging for too long, and so we all just have to be working together to make it happen. They have to make it happen and understand how important we believe it is.

So I really appreciate your updating me on that.

And I wanted to ask Administrator Tangherlini about a recent GAO report about the Environmental Protection Agency (EPA's) use of purchase card holders—but I am assuming this is not an issue unique to the EPA although the report was focused on the EPA, where the Inspector General analyzed the purchases that are being used with these cards and found that over 52 percent of the purchases were prohibited, improper, or erroneous, meaning that

there were purchases made that were not authorized under the law or otherwise EPA policy.

So I wanted to get a sense. How is GSA modifying or eliminating or addressing this issue on the card purchase program overall in light of the weakness, I believe, that really came to light in the EPA Inspector General report?

But I assume that if this issue exists within the EPA, it perhaps may exist within other agencies.

Mr. TANGHERLINI. No, I think it is a really important question and a very difficult issue.

What we are trying to do is really get agencies better data, and so we actually just completed in the past year the ability to actually take the data from the three different credit card providers and put it in a data warehouse. And we are working with agencies to actually do some fraud analysis against the information we collect, against that credit card data.

But that is reasonably new, and so we have to do a better job of letting agencies know that that information is available, and we have to work more closely with agencies to give them the tools necessary to go and look over that information.

I will tell you, though, the great thing about the use of the credit card is that it actually does give us the kind of information that the IG can then go back and audit and identify that kind of problem.

What we need to do is just have more transparency so that's happening on a continuous basis, so people know that they are being observed, that they are being watched, that people are going to be held accountable for meeting these policies.

Senator AYOTTE. Right. It strikes me as, too, I could see this sort of verification piece of having the record of the transaction that the cards provide.

So I think the idea is, obviously, the up-front piece of prevention in terms of the right policies in place, of being able to catch it as it is ongoing—

Mr. TANGHERLINI. Right.

Senator AYOTTE [continuing]. Before the money is improperly spent or wasted.

And the other piece that I hope comes from this is the accountability piece in the sense that if these cards are misused or used improperly that there is accountability within the agencies so employees understand, yes, you will be held accountable and there will be significant consequences, depending on the nature of the actions that you have committed.

Ms. COBERT. What I have seen in my private sector experience when folks put in place the equivalent, a corporate P-card program, is that the ability to get the data that Dan described really is transformational, and your ability to use these programs and, frankly, use them for both purposes, use them to understand where there is fraud, take action against it and prevent it, but also to understand where people are not using them enough because it is a much more efficient way to do purchasing.

So, when you get that data about records and what is used and you can analyze it, you can both decrease things that are happening improperly and also find places where people are using

more cumbersome or costly purchasing vehicles when they should be using a card.

So you can use it on both sides.

Senator AYOTTE. I know my time is up. But, on this issue, how far off do you think—I mean, what is the timeframe as we are now gathering the data to be able to analyze this?

Where do you think it will be in terms of a timeframe for some of the practices you saw in the private sector that we can implement—because I can see the ability to look at patterns where you could save money overall by looking at the data and also prevent the fraud piece.

So what can we expect in terms of a timeframe of really being able to realistically use this data on a day-to-day basis?

Mr. TANGHERLINI. Well, I actually think it is actionable right now, and in fact, we are doing it at GSA.

And one of the things when I do a quarterly round of meetings with our agency partners, and I go visit with the Deputy Secretaries and the Secretaries of the agencies, and we talk about ways that we can work together and collaborate to save money.

One of the items we point out is that agencies could actually, as Beth mentioned, save substantial amounts of money by pushing their micro purchases, their small purchases, onto the purchase cards, getting rebates that we qualify for under those purchases, dramatically reducing the transaction costs of invoicing and accounts payable, but also dramatically increasing the amount of information we have about what people are spending money on and where they are spending it.

One of our strategic source initiatives, the office supply initiative, actually provides the strategically sourced office supply discounts that we qualify for under the contract automatically when you use the credit card. So, even if you go up to the counter and pay the wrong price, it automatically discounts back to the strategically sourced price.

Senator AYOTTE. Thank you. I know my time is up.

And it sounds like this is being implemented at GSA, but what we need to do is get this, obviously, across the government in terms of this being a regular practice.

So thank you for your answers. Appreciate it.

Chairman CARPER. Senator Ayotte, I just want to say thank you for being so faithful in your attendance.

This is really an important hearing. This is a great hearing. I am just happy that you could join us, especially when you came in.

You and Senator McCaskill both serve on the Armed Services Committee, as does Senator McCain, a very senior member. As we try to do our oversight and meet our oversight responsibilities here, that dovetails perfectly with the roles that you all play on Armed Services.

Senator AYOTTE. Well, I appreciate it, Chairman.

I do think this is an important hearing just so that we can, obviously, more effectively use the taxpayer dollars and make sure they are going to the right places. So I really appreciate your holding it, and I thank the witnesses.

Chairman CARPER. I do not know if you were here when I mentioned a series of hearings that Dr. Coburn and I held when we

were leading the Subcommittee on Federal Financial Management, but we brought in some of the senior people from DOD, controller folks, and weapons systems people. The No. 2 person on weapons systems acquisitions we brought in to testify.

This was in the Bush Administration.

We said, explain to us the kind of turnover you got from your predecessor.

He said, my predecessor left 18 months before I got there.

And we asked, talk to us about your direct reports. How many direct reports do you have?

And he said, well, I have six direct reports. Only two of them were filled when I came into my position.

Fast-forward about 3 years later, a new Administration, and we brought in as a witness the new Administration's person in that same position, the No. 2 in weapons systems acquisitions.

We said, tell us about your turnover.

He said, well, it is about an 18 months' gap.

And it was like all over again.

No wonder we have huge weapons systems cost overruns when we have these gaping holes in folks in these Senate-confirmed positions. As good as people are in the Acting position, it is not the same as having Senate-confirmed.

And we are going to have a vacancy here as the controller leaves. We have a vacancy in controller. Danny Werfel's position, I think is still to be filled at OMB as controller.

And the Administration needs to give more time and attention to this, and frankly, we do as well. It is a shared responsibility.

All right, Dan, I said I want to come back to you on strategic sourcing. You had some conversation right here with Senator Ayotte, but if you want to add anything else on strategic sourcing with respect to DOD, please do.

We started a series of six votes. We have about 5 to 10 minutes to go, and I have two other questions. So, speak.

Mr. TANGHERLINI. Sure. No, I will be very quick actually.

DOD is, on the acquisitions side, simply our largest partner. One of the things we are doing is working very closely with DOD to find ways that we can develop cooperative agreements in which we can also leverage the scale of DOD's buying to help drive down the cost of non-DOD buying.

Chairman CARPER. Oh, OK.

Mr. TANGHERLINI. So we have cooperative agreements. We are working with the Defense Logistics Agency to look at ways that we can collaborate on developing the next generation of systems that allow for simplifying buying for the goods we provide in common.

We have agreements with the Air Force to use our new services contract, our new strategically sourced services contract, the One Acquisition Solution for Integrated Services (OASIS) contract vehicle, so that they can eliminate or reduce duplication of services contracts and drive down costs. We are excited about it because it helps us leverage the scale of their buying to drive down costs for non-DOD entities as well.

So we think that there is a vast opportunity for, frankly, us to work very closely with DOD, to help them meet some of their sav-

ings goals and, by doing that, actually help every other agency meet theirs as well.

Chairman CARPER. All right. Thank you.

This is not a question, but I just want to put something on the table, if I can, Beth.

Senator Warner from Virginia, Senator Portman from Ohio, who serves on this Committee, along with our original co-sponsors, have something they call the DATA Act. Congressman Issa and others, and Elijah Cummings are co-sponsors over in the House.

And Senator Warner has from time to time asked me, well, how are we doing on the DATA Act?

We are not going to get into the details of it today, but I am going to ask if we can have just a conversation that includes the four principals—Senator Warner, Senator Portman, Dr. Coburn, myself, maybe you, and a couple of other folks from OMB.

I know you all have had some reservations. We have been negotiating through those. I think we are making progress.

I want to get Mark Warner off my back. [Laughter.]

I say that in a loving way.

But this is an important initiative; you know that. I think you are trying to make it better and make sure we do not do foolish things in passing the legislation. So I just want to put that on your radar screen.

I have two quick questions, and then I am going to run and join my colleagues. I think it is six votes in a row.

The first, on real property.

I talked about scoring earlier by CBO, how sometimes it is frustrating because they do not score things when you actually know they are going to save money.

The current scoring rules require full up-front funding for property projects. Therefore, agencies are often compelled to enter into, as you know, costly long-term leasing arrangements. Today, GAO released a report that attempts to address this issue while putting forth a variety of alternative funding approaches for major capital projects.

I would just ask Mr. Dodaro, how are the scoring rules preventing Federal agencies from executing many of the strategies necessary to meet their real property needs, and are there specific budgetary changes that would assist Federal agencies in better managing and reinvesting in their real property portfolios?

The scoring rules actually incentivize agencies to enter into long-term leases instead of building or buying maybe themselves when that makes more sense. We have the incentives misaligned.

Please.

Mr. DODARO. Yes, definitely. The scoring rules right now provide that if an agency wants to purchase, it has to score the whole cost of the purchase up front. It would be the equivalent of having to pay for your house immediately as opposed to mortgaging it over a period of time. So because of that, agencies over rely on leasing.

Now we looked recently at the leasing issue, and we looked at the high-value leases, and there are 200 of them. These leases represent only about 3 percent of GSAs total number of leases, but they account for a third of the total cost that GSA pays for those leases. In some cases, the agencies have been in leased space in the

same buildings for decades; in some cases, 40 or 50 years. So it really makes sense for the Federal Government to figure out a way to do this.

Now, in the report that we released today, we have put forth several options for people to consider and really to start a dialogue on this so we can move to a different paradigm in this area, so it would be more helpful.

One would be to modify the current Federal building fund. Right now, there are obligation limits put on the building fund, which keep GSA from using the full amount of money that is in there.

Another is to try to time the receipts more to the expenditures. Right now, the receipts come in as they are received, but funds for the expenditures are appropriated later. So there is a mismatch between those areas.

We have also suggested some other alternatives that could be set up where GSA could borrow from the Federal Financing Bank and create a little different model and then be able to pay the bank back over time. Alternatively, specific carve-outs could be put in place to be able to do this.

But all these options that we put forward really provide a different financing vehicle so that the Federal Government can purchase and own the property when it makes sense for them to do so. In some cases leases make sense, but in many cases they do not.

And so these models in this report today can start an important dialogue, and I appreciate the input that we have received from both Dan and his people at GSA and Beth at OMB into this. We have had a lot of good input.

And so we are hopeful that the report will provoke a dialogue which is much needed.

Chairman CARPER. Dan, we have about 7 minutes, 6 minutes left on the votes, so I am going to take just a minute, if you will.

What I want to do is maybe gather us together, maybe by phone, to followup on this conversation, and maybe with Dr. Coburn and a couple others and our staffs, with perhaps the three of you, rather than pull everybody together.

But just give me a minute. Just take your best shot.

Mr. TANGHERLINI. Very quickly, I would say that the scoring rules are not the problem. They are more the symptom, frankly.

The bigger problem is having a meaningful strategy that recognizes that we are going to have a long-term investment in real estate.

In many ways, the GSA Federal Buildings Fund is actually set up in a very businesslike way, where we collect rent from agencies that is set at a market level.

Chairman CARPER. Right.

Mr. TANGHERLINI. That market level is determined through analysis and audits, investigations and inspections.

And then what we are supposed to do is make investments based on continuing need in the buildings.

What has happened over time is since we have not had full access to those rent funds people have pushed more into the lease areas. As Gene pointed out, our average tenancy in a Federal

building lease is in the decades. It is actually 27 years and growing.

And so what happens is we are paying for that building over and over on the lease side. By our estimates, it is about twice as expensive—I think that is confirmed by GAO—to lease than it is to buy or build.

And so what we have to do is ask ourselves, are there some of the mechanisms in the GAO report or other ones that we could come up with which would allow us to do this in a more efficient and effective way going forward.

Chairman CARPER. All right. Beth, I am going to ask you to hold your fire. I would love to stay here for another 15 minutes and dwell on this.

I am going to ask a question of you, Ms. Cobert, for the record and then just ask you to respond on the record, but I want to at least get it on the record.

The management agenda, as I think you have mentioned, emphasizes the importance of recruiting and developing top agency talent.

Ms. Cobert, the question I will be asking for the record is, what are the Administration's specific plans in this area? We have talked about that to some extent today.

How will you monitor and measure the progress in this area over the next few years?

Again, this is a shared responsibility; we realize that.

I will close with this thought. In the Navy, when we used to try to do something really hard, we would say it is like turning an aircraft carrier, but if you stick with it, you can change the course of an aircraft carrier.

In naval aviation, we used to say—if it was really hard, we would liken it to trying to change an aircraft engine while the aircraft was in flight.

And this is like turning the course of an aircraft carrier—hard, long, takes a lot of effort, but we can do it.

I think I am encouraged today that we can see the course of the carrier is changing.

This is an all-hands-on-deck effort, though. OMB cannot do it by themselves—GSA, GAO, as good as you are and your team are.

And this is the dream team. This is a great team. We are just so proud of you. We were talking up here, Democratic and Republican staff, about what a great leadership team we have here.

We think the leadership team here is pretty good, too, and we have the opportunity to leverage and to get the kind of result so that when the people that we are asking to pay a little bit more money in taxes, in order to help bring down the deficit and put us on a more fiscally sustainable position, when they say, I do not mind paying some more in taxes, I just do not want you to waste my money, we can say, well, there is a whole lot that we are doing.

And the plan is not just on paper, not just a plan, but actually, we are implementing and getting it done.

So my thanks to all of you for being with us today and for the good work that you are doing.

We want to followup and continue to followup very closely with you, and I think to collaborate with the defense committee, Armed

Services Committee, that some of our colleagues are very much involved in as well, and we will get some synergies out of that.

All right. The hearing record will remain open for 15 days. I think that is until March 27, at 5 p.m., for the submission of statements and questions for the record. I will have a few, and I am sure my colleagues will as well.

Thank you for a wonderful hearing. Keep up the good work. Thank you.

[Whereupon, at 10:46 a.m., the Committee was adjourned.]

A P P E N D I X

**Opening Statement of Chairman Thomas R. Carper
“Management Matters: Creating a 21st Century Government”
March 12, 2014**

As prepared for delivery:

We're here today because proper management in the federal government matters. It matters for many reasons.

First and foremost, when the American people pay for a government program, they deserve excellence in service in return. Whatever the mission of a public servant – be it protecting or defending our nation, researching cures for diseases, providing support to our nations' farmers, you name it – that public servant is going to do a better job if backed by a well-run organization.

Management also matters because of the fiscal challenges that our country has faced in recent years. I have said many times that any viable solution to these challenges requires a three-pronged approach.

First, we must both cut spending and address revenues in a balanced approach.

Second, we must rein in the cost of entitlement programs in a way that does not savage the poor or the elderly.

And, finally, through better management of government programs, we must deliver improved services to the American people at a lower cost, or at least at the same cost.

So our hearing today – and the President's management agenda – falls squarely within that third prong.

In addition to saving money and helping address our budget deficit, smart government management can lead to economic growth. For example, we will hear some encouraging examples today of how opening government data has led to business opportunities in the private sector.

The President has laid out a management agenda in his budget request entitled 'Creating a 21st Century Government.' The list is a familiar one to those of us who have been toiling in the trenches of government management for years as my colleagues and I on this committee have. The goals include improved acquisition outcomes, better property management, and reduction of improper payments.

To me, it's no surprise that there are no surprises on the list. We have known for some time what the challenges are. What we need to do now is to roll up our sleeves and make progress.

Key to making progress on all aspects of the management agenda will be recruiting, training, and retaining the federal workforce of the future. That must include building a first-class senior management team to help ensure that the government sustains a top-notch workforce. I'm

pleased to see that as a pillar of the management agenda, and to hear today from our witnesses about how we can make further progress in this area.

In closing I'll note that there is plenty of room for bipartisan cooperation on these issues. I hope that today's hearing will help energize and provide focus to these efforts, so that by the time the next budget request is rolled out, we can report some good results to the American people about saving money and improving government service.

ECONOMY PLAN READY

Hemenway to Report to Senate at End of Session.

SAYS HE CAN SAVE MILLIONS

Former Senator From Indiana, Who Has Been Investigating Public Expenditures, Believes That Commission Can Prevent Duplication of Work, Thus Eliminating Unnecessary Expenses.

Money Spent Unnecessarily.

It was found by the Senate subcommittee of the appropriations committee, which dealt with this subject, that the government was spending thousands of dollars unnecessarily; that work was being duplicated in the various government departments; and that the introduction of some system was needed badly. It was recommended that this standing committee on public expenditures be appointed.

July 1909 Washington Post Article:

DUPLICATION NATION

"... the government was spending thousands of dollars unnecessarily; that work was being duplicated in various government departments, and that the introduction of some system was needed badly."

Embargoed Until Delivered

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503
www.whitehouse.gov/omb**

**TESTIMONY OF BETH COBERT
DEPUTY DIRECTOR FOR MANAGEMENT
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENT AFFAIRS
UNITED STATES SENATE**

March 12, 2014

Chairman Carper, Dr. Coburn, members of the Committee, thank you for the opportunity to appear before you today. I am honored to be here to talk with you about how the President's FY 2015 Budget supports the Administration's efforts to deliver a 21st century Government. Core to this effort is the President's Management Agenda, the broad contours of which we released last week as part of the President's Budget. The Agenda's initiatives reflect the Administration's commitment to delivering better results for the American people. Whether it's improving how the Government delivers services to citizens, making it easier to access the results of federally-funded research, or saving on real estate costs, the Administration is committed to creating a Government that is more effective, efficient, and supportive of economic growth.

I also appreciate the opportunity to testify along with Comptroller General Gene Dodaro, and Administrator Dan Tangherlini. OMB has a strong partnership and working relationship with GAO. From ensuring accountability for progress on issues on their High Risk list or identifying opportunities for acquisition reform to continually evolving performance management efforts, OMB and GAO have made it a common practice to leverage their findings to inform our policy. The management reforms we are undertaking are important to mission productivity and creating positive outcomes for citizens. It is therefore important that we continue to leverage each other's respective roles to bring about real, measurable changes.

OMB has also worked closely with GSA on a number of Administration priorities, including many of the management initiatives I will talk about today. Dan's leadership has been essential in the development of the Cross Agency Priority goals which were released this week. Dan and the team at GSA are core partners in the Administration's work on effectiveness and efficiency, on which I will provide more detail later.

When we set out to design the Management Agenda last year, we began by listening. We listened to Federal workers, to business organizations and unions, and members of Congress. With help from this input, we developed a comprehensive forward-looking Agenda to improve the way the Government delivers for Americans. This effort will continue to evolve as we get feedback, deliver results, and identify new priorities. This is a living agenda; we will make adjustments where needed and expand upon areas of progress. And we would like the opportunity to work with Congress to promote reforms that will support this Agenda.

Today, I will outline the four areas of focus that make up the Management Agenda and discuss how the Budget supports specific initiatives in these areas. In addition, I will describe the Administration's plans for ensuring accountability for delivering on these priorities.

The key pillars of the Management Agenda are effectiveness, efficiency, economic growth, and people and culture.

Let me begin with effectiveness. The Administration's commitment to an effective Government focuses on delivering a world-class customer service experience for citizens and businesses. Americans today live in a world where almost anything can be accessed instantly from a phone or computer. To deliver effective services, government transactions need to be available in the simple, accessible, and easy to use formats that our citizens and businesses expect. That is why the Administration wants to invest in user-friendly experiences for common Government services. Applying for veterans' benefits or Social Security assistance, for example, should be quick and simple. The Budget request includes \$100 million for Social Security Administration customer service modernization to reduce customer wait times and enhance services to the public. The Administration also proposes investing in an eBenefits web portal at the Department of Veterans Affairs (VA) to allow veterans to access information about their own benefits.

The President's Budget also supports initiatives to allow businesses to experience higher quality service levels in their interactions with the Government. For example, we are modernizing the Federal infrastructure process for permitting and reviewing major projects, thereby reducing uncertainty for project applicants, reducing the time by half for permitting decisions, and producing better environmental and community outcomes. The Budget also invests in significantly enhancing and expanding SelectUSA, which leverages cross-agency involvement to promote and facilitate inbound investment in the United States.

The Administration will also focus on Smarter IT delivery across the Federal Government. We have made strides in improving management of IT spending, especially on the more standardized elements of IT, by institutionalizing new mechanisms like PortfolioStat, a data-driven review of agency IT portfolios. Since 2012, we have saved \$1.6 billion and improved the operational capability of the Government through the use of PortfolioStat. But, as the initial rollout of Healthcare.gov showed, we still have more to do. The Administration is committed to delivering smarter IT services, and shifting the focus of Government IT projects from simply complying with requirements to truly meeting users' needs. To do this, we need the best talent working inside Government, the best companies working with Government, and the best processes in place to ensure accountability for delivering results for the American people.

Additionally, we are focused on efficiency as we continue and improve on initiatives to streamline the way Government delivers services. That is why we are putting in place efforts to expand strategic sourcing across Government. Strategic sourcing, using the Federal Government's buying power to save on essential purchases, has already saved the over \$300 million since 2010. We are also continuing efforts to ensure that the Government has appropriate oversight and management mechanisms in place for Federal contractors

We also are focused on increasing shared services across the Government, streamlining core administrative functions that nearly all agencies use, like human resources, IT, and finance. For example, in 2015, we will be transitioning the Department of Housing and Urban Development's (HUD) core financial management functions to the Department of the Treasury in the largest financial management shared service arrangement established to date.

These efforts go hand in hand with activities underway to enhance productivity, avoid duplication, and save money for the taxpayers. As part of the Management Agenda, the Administration will expand on successful efforts to reorganize or consolidate programs to reduce duplication and improve efficiency to achieve cost savings. The Budget supports continued progress in areas such as reducing administrative overhead, cutting improper payments, saving on real estate costs, reforming military acquisition, and consolidating data centers.

As part of this effort, the cuts, consolidations, and savings proposals included in the Budget propose a Government-wide reorganization of science, technology, engineering, and mathematics (STEM) education programs designed to enable more strategic investment in STEM education and more critical evaluation of outcomes.¹ In 2012, there were more than 200 separate STEM education programs across Government. As part of the reorganization, 107 program consolidations and eliminations have been implemented or will be completed in 2014, through actions by Congress or consolidations or eliminations undertaken by the Administration. The Budget continues to reduce STEM fragmentation by proposing 30 additional program consolidations or eliminations and focuses ongoing efforts around the five key areas identified by the Federal STEM Education 5-Year Strategic Plan.

Furthermore, the Administration is continuing its efforts to reduce improper payments, which are on the decline across Government. Last year, agencies recovered billions in overpayments through audits and other methods. Ensuring that taxpayer dollars are spent properly remains a top Administration priority, and our efforts to cut improper payments will continue in the coming years.

We also continue to make progress in improving our use of Federal real estate. As the largest property owner in the United States, the Federal Government has a responsibility to use space efficiently and dispose of space we no longer need. In 2012, the Administration announced our "Freeze the Footprint" policy to stop the office space growth in the real estate inventory. This month, we will begin publicly tracking on Performance.Gov adherence to a fixed baseline of 730 million square feet.

Third in our Management Agenda: the Budget invests in the Administration's commitment to economic growth. By continuing to make Government-generated data as well as the products of Federally-funded research and development available to the public, the Government can empower individuals and businesses while promoting innovation, job creation, and economic prosperity.

Since 2009, the Administration has released tens of thousands of Government data sets to the public, while ensuring strong privacy protections are in place. Private companies have used

¹ <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/ccs.pdf>

Government data sets to bring transparency to retirement plans, help consumers find deceptive, erroneous, and fraudulent charges on their credit and debit card bills, and increase crop yields by enabling rapid adaptations to climate change through better crop selection and management. We continue to support opening up Federal data, especially for high-impact sectors like education, healthcare, energy, and tourism. For example, in FY 2015, agencies will be opening key economic indicators such as GDP, Capita Income, Personal Income, Farm Income, Earnings, and more through improved Application Programming Interfaces, making it easier for application developers and innovators to use this data.

The Budget also invests in economic growth through more effective transition of R&D results from the laboratory to the marketplace. It reflects the Administration's commitment to accelerating this transfer by proposing increased funding for the National Science Foundation's public-private "Innovation Corps" program to bring discoveries ripe for innovation out of the university lab.

The Budget also commits to expanding the use of evidence and rigorous evaluation in budget, management, and policy decisions, making better use of government data, conducting new program evaluations, and adopting evidence-based decision making structures to ensure that funds are used to their greatest effect. For example, the Budget provides new authority and new resources for the Social Security Administration, in partnership with other Federal agencies, to test innovative strategies to help people with disabilities remain in the workforce.

The fourth area of focus for the Management Agenda is People and Culture. Building a 21st century Government starts with the people who work for it. A high-performing Government depends on an engaged, well-prepared, and well-trained workforce with the right set of skills for the missions the Government needs to achieve.

The President recognizes that the last few years have been challenging for the Federal workforce. Three years of a Federal pay freeze, sequester cuts, and a 16-day shutdown of Government have made it increasingly difficult to deliver on agency missions. Yet, Federal employees continue to persevere and serve the American people with passion, professionalism, and skill. Whether defending our homeland, restoring confidence in our financial system and supporting a historic economic recovery effort, providing health care to our veterans, conducting diplomacy abroad, or searching for cures to disease, we are fortunate to be able to rely upon a skilled workforce committed to public service.

We want to make sure that these talented public servants have the right tools and are supported by a culture that values excellence and encourages innovation. We will prioritize leadership development, so that those who guide our agencies can create the best work environment for their teams and deliver the best possible results. We will recruit the next generation of Federal leaders, sustaining our workforce so it can continue to do the work of the Nation for decades to come.

We also want to invest in our Federal workforce by developing Government-wide enterprise training and resource exchanges. Agencies will learn from each other's programs by sharing the good work they are already doing in employee management. For example, the Budget includes

funding for the Office of Personnel Management to expand data-driven analytics on employee engagement and to extend leadership development opportunities for the Senior Executive Service. And beginning this year, we are launching pilot projects to look at improving recruiting, hiring, and talent deployment. We will also focus on family friendly workplace policies, including ways to effectively use telework to create flexibility for Federal workers. We want to work with employee labor unions and with Members of Congress to make progress in this area.

As you can see, the President's Management Agenda is ambitious and cross-cutting. In some areas we have already seen progress, and we will continue to launch new initiatives. As the Administration works to deliver on this Agenda, we are also committed to driving effective performance management across the whole government by using the framework developed with Congress in the Government Performance and Results Act (GPRA) and the GPRA Modernization Act.

The performance framework includes goals and performance reviews at three levels:

1. Cross-Agency Priority Goals which address implementation issues that cut across multiple organizations

The Administration has established 15 management and mission Cross-Agency Priority (CAP) Goals, which give us the tools to bring agencies together to work on issues that require close coordination. Specifically, we focused on areas requiring coordinated *implementation* across multiple agencies to achieve the desired impact.

For example, the National Economic Council, together with the Deputy Secretaries from the Departments of Commerce and State, are leading efforts to encourage foreign direct investment and spur job growth by improving Federal investment tools and resources while increasing interagency coordination. Over the last 10 years, U.S. affiliates of foreign companies employed more than five million workers, many of whom are in high-paying manufacturing jobs.

In another example, GSA and OMB are teaming up to lead a cross agency goal to improve administrative efficiency and increase the adoption of effective management practices by establishing cost and quality benchmarks of mission-support operations and giving agency decision-makers better data to compare options, allocate resources, and improve processes.

Later this spring, we will release detailed action plans for each of these goals, including specific metrics and milestones for gauging progress. The inter-agency Performance Improvement Council also will support the goal teams to ensure they are utilizing leading performance measurement and management practices.

Goal Leaders, who are senior officials within the Executive Office of the President and agencies, will review progress on the goals on at least a quarterly basis. OMB will also review progress across all the CAP goals and update the public on our progress at Performance.gov each quarter.

2. Agency Priority Goals which will be used to achieve an agency's near-term, implementation-focused priorities

Since 2009, the Administration has seen measurable progress from the use of Agency Priority Goals. For example, Treasury used its "Treasury Stat" effort to cut the number of paper benefit payments from 131 million in 2010 to 39 million in 2013, exceeding its Agency Priority Goal, saving the American taxpayer money.

The FY 2015 Budget establishes nearly 100 Agency Priority Goals focused on a range of important issues from reducing healthcare-associated infections to increasing energy efficient housing to expanding small business access to export financing. For example, in partnership, HUD and VA continue to make progress on their joint-goal to reduce the number of Veterans living on the streets, experiencing homelessness to zero by the end of 2015.

Each goal has clearly identified Goal Leaders, an action plan, and indicators which can be used to track progress. Over the past month, I personally have been engaged with the agency Deputy Secretaries, in their role as Chief Operating Officers, to confirm that they own these goals, and confirm the senior official(s) that would lead implementation. We engaged agency leadership and staff to embed the Agency Priority Goal process into their core management processes. We were pleased that the Government Accountability Office's recent report concluded that "agency officials said their reviews allowed different functional management groups and program areas within their agencies to collaborate and identify strategies which led to performance improvements." We also recognize –as GAO suggested – that while we have made progress, there remain opportunities to strengthen these practices and we are committed to doing so. Like the CAP goals, progress against Agency Priority Goals will be reported quarterly on Performance.Gov.

3. Strategic Objectives and Annual Reviews which are a comprehensive set of the outcomes the government is trying to achieve and an assessment of the progress being made

This year is the first year we will be releasing updated agency strategic plans along with the President's budget. Strategic plans provide the agency's mission, long-term goals, strategies planned, and the approaches it will use to monitor its progress in addressing specific national problems, needs, and opportunities. From these broader strategic goals, agencies establish specific performance targets and set key milestones for the current and next fiscal year within their annual performance plans. For example, the Department of Commerce has just released its Strategic Plan with five strategic goals focused on trade and investment; innovation; the environment; data; and operational excellence as well as 18 specific objectives (e.g., increase the capacity of U.S. regional economies).

New this year, the Administration has established a strategic review policy where each year agencies will assess the extent to which progress is being made on their strategic objectives. The reviews will clearly identify those areas that have significant challenges and those making noteworthy progress. These annual reviews will begin each spring and incorporate a variety of analytical evidence to support the assessments. Specifically, for each agency strategic objective or outcome agencies will synthesize available evidence to answer key questions including: What

Embargoed Until Delivered

were the programs' impacts? How efficiently were those results delivered? Are there lessons learned and successful innovations? What future opportunities, risks, or challenges may affect outcomes?

Based on the analysis, agencies will develop a list of actions and decisions that are needed to improve performance. The results will then be used to inform the budget, legislative, regulatory, and administrative decisions within agencies, as well as with OMB and the Congress. The first results of these reviews will be released next year with the FY 2014 performance reports.

As I've noted, all of this information is available through Performance.Gov. We will be tracking our progress, and the public will be able to see how we are doing and see what is working and what is not.

In conclusion the Administration is focused on improving management to drive performance for the American people and American business in the services the Federal Government provides and in the returns and value achieved with taxpayer dollars. We have put effectiveness, efficiency, economic growth, and investments in the Federal workforce at the center of this effort.

With a strong focus on execution and accountability, we look forward to working with Congress to create a 21st century government that will make a significant tangible and positive difference in the lives of the American people.

STATEMENT OF
THE HONORABLE DANIEL M. TANGHERLINI
ADMINISTRATOR FOR GENERAL SERVICES ADMINISTRATION
BEFORE THE
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

March 12, 2014

Chairman Carper, Dr. Coburn, and Members of the Committee, thank you for the opportunity to appear before you today.

First, let me express my appreciation for the honor of sharing this panel with two individuals who both have done so much work to address the important issues we are discussing today: Beth Cobert, with whom I have worked closely since her confirmation as Deputy Director for Management at the Office of Management and Budget (OMB), and Gene Dodaro, whose work and oversight at the U.S. Government Accountability Office (GAO) continues to identify challenges and critical areas for improvement across the Federal government.

This Administration is committed to providing the American people with a government ready to meet the challenges of the 21st century. During the last five years, the Federal government has made great progress toward meeting that goal, but there is still more to do. The President's Management Agenda looks to continue this progress with a focus on four key areas: effectiveness, efficiency, economic growth, and people and culture.

As a provider of real estate, acquisition, and technology services to the Federal government, the U.S. General Services Administration (GSA) is uniquely positioned to help agencies in all four of these areas. Today, I will discuss GSA's common sense solutions in support of the management agenda, outline our work on Cross-Agency Priority Goals under the Government Performance and Results Modernization Act (GPRAMA) that further support these efforts, and highlight initiatives within GSA's FY 2015 budget that will help us accomplish these important goals.

Efficiency –

GSA encourages efficiency across government through a variety of common sense initiatives, and particularly by helping agencies buy smarter and reduce their real estate footprint.

The Federal Strategic Sourcing Initiative (FSSI) is integral to this effort. This program is a structured and collaborative process of critically analyzing an organization's spending patterns to better leverage its purchasing power, reduce cost and improve overall performance. By going out to the market as one large buyer, an approach common to the private sector, the Federal government is enhancing buying power, streamlining acquisition operations, improving

service, and creating significant savings. Since we began using this program to make purchases in 2010, we have saved more than \$300 million for Federal agencies while increasing the participation of small businesses and reducing duplication across government.

When I last testified on strategic sourcing solutions before this Committee, we had in place four strategic sourcing vehicles.¹ Since that time, GSA has awarded the next generation of Print Management services; put in place strategic sourcing vehicles for Maintenance, Repairs, and Operations (MRO) contracts; and issued a Request for Proposals on the third generation of strategically sourced Office Supplies (OS3). With MRO alone, we expect agencies to save \$16 million in the first year, rising to more than \$30 million annually with increased use. Through better pricing and reduced administrative costs, GSA expects OS3 to save agencies millions annually. Additionally, utilizing strategic sourcing principles, we have also awarded contracts under the One Acquisition Solution for Integrated Services (OASIS) – Small Business. This program aims to ensure that agencies receive the best value for complex professional service requirements while providing transparency into spending around these contracts to drive better pricing moving forward.

At GSA, we also offer innovative technologies and digital services to agencies across government that reduce duplication, improving efficiency. One example is the Federal Risk and Authorization Management Program (FedRAMP), a government-wide program that accelerates adoption of cloud computing across government by providing a standardized approach to security assessment, authorization, and continuous monitoring for cloud products and services. This mandatory approach, which uses a “do once, use many times” framework, is saving cost, time, and staff required to conduct redundant agency security assessments.

As part of the President’s management agenda, GSA is also encouraging efficiency by helping agencies to reduce their real estate footprint. We are doing this in a variety of ways: encouraging better utilization of existing space; helping agencies dispose of unneeded properties; and assisting agencies to measure real estate performance as part of the Administration’s Freeze the Footprint initiative.

GSA follows the model we applied in our own Headquarters facility when working with agencies to utilize their space more efficiently. At 1800 F, we have transformed our space into a modern, mobile, open work environment. Maximizing the benefits of desk sharing, mobile IT technologies and telework allowed GSA to eliminate six leases and consolidate these operations into a single building, resulting in millions in annual savings through lease cost avoidance.

GSA’s FY 2015 budget request includes a number of projects like this one that will reduce real estate costs for partner Federal agencies and the Federal government overall. For instance, in Detroit, GSA plans to exercise an option to purchase a building currently occupied by the Internal Revenue Service for \$1, and then proposes to renovate the facility, allowing other

¹ Express and Ground Domestic Delivery Services; Office Supplies; Print Management; and Wireless.

agencies to move from leased locations into the Federal building. This project eliminates leased space, saves \$11 million per year in potential rental payments, and allows GSA to get the most from its Federally-owned real estate portfolio. Projects like this one in Detroit are the type of common-sense investments that the government needs to do more of, and supporting GSA's budget request for the Federal Buildings Fund will allow us to continue to make these cost-saving investments.

When property either cannot be better utilized, or it is not cost-effective to do so, GSA consistently helps agencies dispose of their excess property. In FY 2013, GSA disposed of 213 Federal properties, generating \$98 million in proceeds.² We will continue to work with our partner landholding agencies to remove more properties from the federal inventory.

Finally, GSA worked in tandem with OMB on the Freeze the Footprint initiative. The Freeze the Footprint policy requires agencies to establish a baseline square footage and offset any proposed increase in space with a commensurate reduction elsewhere in the agencies' inventories. Additionally, agencies must identify projects that will help them to reduce their footprints. As indicated in OMB's statement, this information will soon be available to the public for tracking on performance.gov.

These initiatives, as well as others, are crucial in encouraging efficiency across government. GSA is committed to driving down prices, delivering better value, and helping reduce costs so that partner agencies can focus their resources on their core missions.

Effectiveness –

The American people expect and deserve a government that effectively meets the needs of its citizens. At GSA, we offer innovative technologies and digital services to agencies across government that reduce duplication, deliver more effective services, and create a more transparent government.

One way we can accomplish this important goal is smarter IT delivery. GSA is on the leading edge of these efforts. In collaboration with White House Office of Science and Technology Policy, GSA manages the Presidential Innovation Fellows (PIF) program. The PIF program hires and assigns some of our nation's brightest individuals to specific agencies and challenges them to implement projects that save money and make the Federal government work better for the American people. The program is set up to deliver results in months, not years, and has already demonstrated its value. One example is FBOpen. This open source search tool makes it easier for small businesses and less traditional federal contractors to better find and bid on government opportunities, while increasing competition and delivering a simpler way to find all of the opportunities the federal government makes available. This project did not go through years of requirements development and contracting. It was developed in-house with existing

² Of these, 8 were GSA-controlled properties.

government data and was completed in less than six months. This expedited approach is one that GSA is using in support of additional projects, and we anticipate expanding its use moving forward.

GSA's FY 2015 budget request supports these efforts with increased funding for the Office of Citizen Services and Innovative Technologies (OCSIT).

GSA's Office of Government-Wide Policy also works toward improving the effectiveness of government by developing evidence-based policies that are designed to lead to better Federal mission delivery. GSA's FY 2015 budget request will enhance, data, analysis, and policy efforts to drive progress in right-sizing the Federal fleet; developing the civilian acquisition workforce; and enhancing cybersecurity efforts, among others.

GSA is also making investments in our real estate inventory to create a 21st century workplace that saves money and increases productivity. With investments in GSA's FY 2015 request, we will help agencies to reduce their office space and foster collaboration, improving effectiveness.

Economic Growth –

GSA also is leading efforts to provide government-generated data to entrepreneurs and other innovators to fuel development of products and services that drive economic growth.

GSA operates Data.gov, the flagship open government portal, which enables easy access to and use of more than 90,000 data collections from over 180 government agencies. By facilitating information transparency and access, GSA allows anyone, whether an individual or a business, to take public information and apply it in new and useful ways.

Additionally, GSA maintains the Prices Paid Portal. This proof of concept tool is intended to provide greater visibility into the prices paid by government agencies for commonly purchased goods and services. Currently, the system is being populated with initial data on simple commodities such as office supplies, with data on more complex items to follow. Allowing the federal acquisition community to see and analyze the cost of these goods and services is intended to drive better pricing for all future federal procurements.

GSA also drives economic growth through smart investments in the Federal government's real estate. In FY 2015, GSA has proposed \$420 million to modernize and expand three border crossing and inspection projects in San Ysidro, CA; Alexandria Bay, NY; and Calexico, CA. These modernizations will promote economic growth, national security, and improve conditions for both vehicular and pedestrian traffic.

Through transparency and investments, GSA is doing its part to encourage economic growth.

People and Culture –

GSA supports the goals of the management agenda in providing the talent, training, and resources to deliver the results the American people expect.

GSA is committed to ensuring that we have the most capable individuals supporting government efforts. As outlined above, the PIF program provides a new avenue to attract exceptional talent and dedicate that talent to solving tough Government challenges. This program has already delivered results, and we believe it is a promising approach to solving other long-standing Government challenges. On March 6th, the White House Office of Science and Technology Policy and GSA announced that we are now accepting applications for the third round of Fellows. This round is anticipated to work on projects in three national priority initiatives: building a 21st century veterans experience by unifying disparate services into a single "one-stop shop" for accessing Veterans Affairs services and benefits; unleashing the power of data resources to change American lives; and experiments in crowdsourcing government.

GSA maintains training programs that help ensure professionals have the skills they need to manage programs effectively. For instance, GSA's FY 2015 budget request includes, among other items, funding in support of acquisition training through the Federal Acquisition Institute, as well as training in support of building managers to ensure we meet the goals and savings anticipated in the Federal Buildings Personnel Training Act. This modest investment in training can help to ensure that there are not bigger, and far more costly, challenges down the line in improperly conducted procurements, or lost potential savings in inefficiently run buildings.

Additionally, GSA helps to ensure that we have tools that allow the Government to access the ingenuity of the American people to help solve Government's challenges. GSA manages Challenge.gov, an award-winning platform to promote and conduct challenge and prize competitions government-wide. Challenge.gov seeks to involve more Americans in the work of government. Eighty contests were hosted in FY 2013, covering a wide range of technical and creative challenges. For instance, the Federal Trade Commission (FTC) hosted a robocall challenge, which asked innovators to create solutions to block illegal robocalls on landline or mobile phones. The FTC received nearly 800 entries and selected two winners in a tie for the best overall solution. One winning solution, Nomorobo, went to market on September 30, 2013, and has blocked nearly 1.3 million calls for consumers.

Cross-Agency Priority Goals –

Finally, GSA is also doing its part under GPRAMA to assist agencies in achieving Cross-Agency Priority Goals. These efforts range from Cybersecurity to Sustainability to Data Center Consolidation, among others.

One particularly crucial priority that Beth and I are leading together focuses on Benchmarking Mission-Support Functions. This effort looks to establish common metrics around administrative functions all agencies share: Financial Management, Human Capital, Real Property, Acquisition, and IT Management. By establishing benchmarks, the Federal government will be able to assess the effectiveness and cost of common functions across government. This effort will allow for identification of best practices and services to improve administrative efficiency and reduce costs.

As a former CFO of the Treasury Department, City Administrator of Washington, D.C., and OMB budget examiner, this work is especially important to me because I know how useful and transformative having comparative data can be. With a common way to measure and compare agency core administrative functions we can transform the way we deliver services internally that will in turn allow us to transform how we deliver services externally.

Conclusion –

The Administration is committed to delivering an efficient and effective government, and the President's Management Agenda continues to drive agencies to achieve that. At GSA, we are working to use the size and scope of the Federal government to drive down costs and increase efficiency in support of these efforts; we are also leading Cross-Agency Priority Goals that will accomplish these goals. Our FY 2015 budget request will help us to further these efforts.

I appreciate the opportunity to be here today and I am happy to answer any questions you have. Thank you.



United States Government Accountability Office

Testimony
Before the Committee on Homeland
Security and Governmental Affairs,
U.S. Senate

For Release on Delivery
Expected at 9:00 a.m. EDT
Wednesday, March 12, 2014

GOVERNMENT EFFICIENCY AND EFFECTIVENESS

Views on the Progress and Plans for Addressing Government-wide Management Challenges

Statement of Gene L. Dodaro
Comptroller General of the United States

GAO Highlights

Highlights of GAO-14-067, a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate.

Why GAO Did This Study

The federal government is one of the world's largest and most diverse entities, with about 52.5 million employees in fiscal year 2013, funding an extensive array of programs and operations. Moreover, it faces a number of significant fiscal, management, and governance challenges in responding to the varied and increasingly complex issues it seeks to address.

This statement focuses on (1) GAO's work related to the President's Management Agenda, and (2) additional opportunities for decision makers to address major management challenges.

This statement is primarily based upon our published and ongoing work covering GAO's high risk list, fragmentation, overlap and duplication reports, and managing for results work. The work upon which these published reports and preliminary findings were based was conducted in accordance with generally accepted government auditing standards.

GAO has made numerous recommendations to OMB and executive branch agencies in these areas and reports in this statement on the status of selected key recommendations.

View GAO-14-067. For more information, contact J. Christopher Mihm at (202) 512-2835 or jcmihm@gao.gov.

March 12, 2014

GOVERNMENT EFFICIENCY AND EFFECTIVENESS

Views on the Progress and Plans for Addressing Government-wide Management Challenges

What GAO Found

A number of areas on the President's Management Agenda are consistent with issues highlighted by GAO's work on the High Risk Program, its annual reports on fragmentation, overlap, and duplication, and other work related to long-standing management challenges. These include, for example: using information technology to better manage for results; addressing improper payments; expanding strategic sourcing; strengthening strategic human capital management; and improving the Department of Defense's weapon systems and services acquisitions. Lasting success in addressing the difficult and longstanding issues on the President's Management Agenda will hinge on effective implementation, including sustained top leadership attention. GAO and the Office of Management and Budget (OMB) have agreed to hold a series of high level meetings on the issues on GAO's high risk list to discuss progress and actions that are needed to fully address high risk issues. Further, the executive branch has taken a number of steps to implement key provisions of the GPRA Modernization Act by developing cross-agency and agency priority goals; assigning performance management roles and responsibilities to leadership; conducting agency quarterly performance reviews; and developing Performance.gov, a website that provides quarterly updates on the priority goals.

However, additional opportunities exist for decision makers to address major performance management challenges, including, for example:

Developing a comprehensive inventory of federal programs. GAO's preliminary review of the program inventories produced by 24 large federal agencies identified concerns about the usefulness of the information provided in these inventories for addressing crosscutting issues.

Enhancing the use of collaborative mechanisms. Addressing many of the challenges government faces requires collaboration across agencies, levels of government, or sectors. Yet the mechanisms the federal government uses to collaborate do not always operate effectively.

Effectively implementing strategic reviews. Starting in 2014, agency leaders are to annually assess how relevant organizations, programs, and activities, both within and outside of their agencies, are contributing to progress on their strategic objectives and identify corrective actions where progress is lagging. Such reviews could help address fragmentation, overlap, and duplication issues.

Improving capacity to gather and use better performance information. GAO's work has found that federal decision makers often lack complete and reliable performance data needed to address the government's management challenges.

Furthermore, the administration needs to accelerate progress in (1) addressing major impediments preventing GAO from rendering an opinion on the U.S. government's consolidated financial statements and risks to the government's future financial condition; (2) elevating top leadership attention to the areas identified in our annual reports on fragmentation, overlap, and duplication; and (3) responding to pressing challenges with its cybersecurity, such as evolving cyber threats to systems supporting government operations and critical infrastructure. Congress also has key roles in addressing each of these issues.

United States Government Accountability Office

Chairman Carper, Ranking Member Dr. Coburn, and Members of the Committee:

I am pleased to be here today to discuss efforts underway to address major management challenges facing the federal government, as well as opportunities for the administration and Congress to make further progress moving forward. The federal government is one of the world's largest and most diverse entities, with about \$3.5 trillion in outlays in fiscal year 2013, funding an extensive array of programs and operations. In responding to the varied and increasingly complex issues the federal government seeks to address, it faces a number of significant fiscal, management, and governance challenges.

My statement today focuses on (1) GAO's work related to the President's Management Agenda, and (2) additional opportunities for decision makers to address major management challenges. My comments are primarily based upon our published and ongoing work covering GAO's high risk list;¹ fragmentation, overlap and duplication reports;² and managing for results work.³ The work upon which these published reports and preliminary findings were based was conducted in accordance with generally accepted government auditing standards.

¹For our most recent report, see GAO, *High-Risk Series: An Update*, GAO-13-283 (Washington, D.C.: February 2013). For additional information, see our High Risk List key issues page at <http://www.gao.gov/highrisk/overview>.

²See GAO, *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-13-279SP (Washington, D.C.: Apr. 9, 2013); *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, GAO-12-342SP (Washington D.C.: Feb. 28, 2012); and *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-316SP (Washington, D.C.: Mar. 1, 2011). For additional information, see our Duplication and Cost Savings key issues page at <http://www.gao.gov/duplication/overview>.

³See, for example, GAO, *Managing for Results: Implementation Approaches Used to Enhance Collaboration in Interagency Groups*, GAO-14-220 (Washington, D.C.: Feb. 14, 2014), and *Managing For Results: Executive Branch Should More Fully Implement the GPRM Modernization Act to Address Pressing Governance Challenges*, GAO-13-518 (Washington, D.C.: June 26, 2013). For additional information, see our Managing for Results key issues page at http://www.gao.gov/key_issues/managing_for_results_in_government.

The President's Management Agenda Covers Many Areas Highlighted by GAO as Needing Attention

A number of areas on the President's Management Agenda are consistent with issues highlighted by our work on the High Risk Program, our annual reports on fragmentation, overlap, and duplication, and other work related to long-standing management challenges. Over the years, we have made hundreds of recommendations to address these issues. The current and prior administrations have taken actions to address many of these recommendations, and have made progress in many areas.

Much more, however, remains to be done. Lasting solutions to remaining issues offer the potential to save billions of dollars, dramatically improve service to the American public, and strengthen public confidence and trust in the performance and accountability of our national government. Examples of where the President's Management Agenda and our work are consistent include:

- **Using information technology (IT) to better manage for results.** The government invests about \$80 billion annually in IT. Improving the transparency of about 700 major IT investments with the IT Dashboard can help focus attention on troubled projects. In addition, holding executive reviews, known as TechStat sessions, of selected investments that are not producing results has resulted in positive outcomes such as accelerated delivery, reduced scope, and termination. We have made recommendations to improve the accuracy and use of the IT Dashboard and for the Office of Management and Budget (OMB) and agencies to hold more TechStat sessions.⁴ OMB has generally concurred with our Dashboard recommendations and has taken actions such as improving the accuracy of the reported investment cost and schedule data. OMB also agreed with our recommendation to hold more TechStat sessions and stated that OMB and the agencies were taking appropriate steps to meet that recommendation.

Other IT initiatives such as PortfolioStat and Data Center Consolidation can eliminate duplicative investments and close hundreds of centers, resulting in billions in savings.⁵ For example, we

⁴GAO, *IT Dashboard: Agencies Are Managing Investment Risk, but Related Ratings Need to Be More Accurate and Available*, GAO-14-64 (Washington, D.C.: Dec. 12, 2013) and *Information Technology: Additional Executive Review Sessions Needed to Address Troubled Projects*, GAO-13-524 (Washington, D.C.: Jun. 13, 2013).

⁵GAO-13-279SP and GAO-12-342SP.

recently reported that the PortfolioStat initiative has the potential to save between \$5.8 and \$7.9 billion.⁶ We have made multiple recommendations to OMB and agencies to more fully implement and report on eliminating duplicative and inefficient IT investments.⁷ OMB agreed with some of these recommendations and subsequently clarified its guidance on how agencies should identify potentially duplicative investments. Further, agencies have also generally agreed with our recommendations and taken steps such as conducting portfolio reviews to identify duplicative investments and report those results via the IT Dashboard.

- **Addressing improper payments.** The federal government serves as the steward of taxpayer dollars and should safeguard them against improper payments. The President's Management Agenda is consistent with our prior reporting that predictive analytic technologies can help agencies better identify and prevent improper payments.⁸ Further, OMB reported that it plans to develop more detailed categories of improper payments, which can help agencies tailor corrective action plans to better address the root causes of improper payments.

In fiscal year 2013, estimated governmentwide improper payments totaled approximately \$106 billion; however, this may not cover the full extent of improper payments throughout the federal government. In order to determine the full extent of improper payments governmentwide and to more effectively reduce and recover them, continued attention is needed to (1) adopt sound risk assessment and improper payment estimation methodologies and (2) develop effective

⁶GAO, *Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings*, GAO-14-65 (Washington, D.C.: Nov. 6, 2013).

⁷GAO, *Data Center Consolidation: Strengthened Oversight Needed to Achieve Cost Savings Goal*, GAO-13-378 (Washington, D.C.: Apr. 23, 2013); *Information Technology: Departments of Defense and Energy Need to Address Potentially Duplicative Investments*, GAO-12-241 (Washington, D.C.: Feb. 17, 2012); and *Information Technology: OMB Needs to Improve Its Guidance on IT Investments*, GAO-11-826 (Washington, D.C.: Sep. 29, 2011).

⁸GAO, *Improper Payments: Moving Forward with Governmentwide Reduction Strategies*, GAO-12-405T (Washington, D.C.: Feb. 7, 2012).

corrective action plans and preventive and detective controls to address the root causes of improper payments.⁹

- **Expanding strategic sourcing.** One area that could yield significant cost savings is the expanded use of strategic sourcing, a process that moves away from numerous individual procurements to a broader aggregate approach. Our work has found that federal agencies could better leverage their buying power and achieve additional savings by directing more procurement spending to existing strategic sourcing contracts and further expanding strategic sourcing practices to their highest spending procurement categories.¹⁰ For example, most agencies' efforts do not address their highest spending areas such as services.

We estimated that savings of one percent from selected large agencies' procurement spending alone would equate to over \$4 billion. In that regard, the President's Management Agenda calls on federal agencies to expand the use of strategic sourcing to better leverage the government's buying power and reduce contract duplication. It did not, however, lay out specific governmentwide metrics or savings goals. We had previously recommended that OMB establish additional metrics to measure progress toward goals. OMB has efforts underway to address this recommendation.¹¹

- **Strengthening strategic human capital management.** Consistent with the President's Management Agenda goal to attract and retain a talented workforce, foster a culture of excellence, and invest in the Senior Executive Service (SES), we have reported that addressing complex challenges such as homeland security, economic stability, and other national priorities requires a high-quality workforce able to work seamlessly with other agencies, levels of government, and across sectors. Strategic human capital management has been on our high-risk list since 2001.¹²

⁹Improper payments contribute to the issues identified in certain areas on our High Risk List, such as DOD Financial Management and the Medicare and Medicaid programs. See GAO-13-283.

¹⁰GAO-13-279SP

¹¹GAO, *Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs*, GAO-12-919 (Washington, D.C.: Sep. 20, 2012).

¹²GAO-13-283.

Since then, as a result of actions taken by Congress, the Office of Personnel Management, and individual agencies, important progress has been made. Still, additional efforts are needed in such areas as human capital planning, building results-oriented cultures, and talent management,¹³ such as (1) addressing government-wide and agency-specific skill gaps and enhancing workforce diversity, (2) strengthening performance management systems to improve the “line of sight” between individual performance and organizational outcomes,¹⁴ and (3) fully assessing the costs and benefits of SES training.¹⁵

- **Improving the Department of Defense’s (DOD) weapons systems and services acquisition.** The President’s Management Agenda is consistent with our findings and recommendations on improving the Department of Defense’s (DOD) acquisition of weapon systems and services, issues that have been on GAO’s High Risk List since the 1990s. DOD has made some progress in this area.¹⁶ Over the past several years it has decreased the size of its major defense acquisition program portfolio as well as its estimated total cost; however, programs continue to experience cost growth over time. DOD has launched its “Better Buying Power” initiatives to achieve more efficiency and reduce cost growth.

We have tracked implementation of some of these initiatives and found that DOD has largely been successful in implementing its “should-cost” effort to lower contract prices during negotiations and has reported near-term cost savings as a result. DOD has had less success in implementing affordability constraints—which limit a program’s total cost throughout its lifecycle—an initiative that has the

¹³GAO, *Human Capital Management: Effectively Implementing Reforms and Closing Critical Skills Gaps Are Key to Addressing Federal Workforce Challenges*, GAO-12-1023T (Washington, D.C.: Sep. 19, 2012).

¹⁴GAO, *Results-Oriented Management: Opportunities Exist for Refining the Oversight and Implementation of the Senior Executive Performance-Based Pay System*, GAO-09-82 (Washington, D.C.: Nov. 21, 2008).

¹⁵GAO, *Human Capital: Agencies Should More Fully Evaluate the Costs and Benefits of Executive Training*, GAO-14-132 (Washington, D.C.: Jan. 31, 2014).

¹⁶GAO-13-283.

potential for long-term savings if implemented effectively.¹⁷ Similarly, we have found that DOD has made mixed progress in improving its acquisition of services.¹⁸ DOD leadership has demonstrated a commitment to improving service acquisitions and management, but the department's efforts are hindered, in part, by limited knowledge and baseline data on the current state of service acquisitions and the absence of goals and metrics to assess its progress. We have ongoing reviews to help improve the efficiency of DOD's weapon system acquisition process and the effectiveness of its portfolio management practices that we believe will further the Administration's and Congress' efforts in this area.¹⁹

**Effective
Implementation Is
Essential to
Successfully
Addressing Issues on
the Management
Agenda**

Lasting success in addressing the difficult and longstanding issues on the President's Management Agenda will hinge on effective implementation, including sustained top leadership attention. For example, our work has shown that there are five key factors that are essential to resolving high-risk issues:

1. a demonstrated strong commitment to, and top leadership support for, addressing problems;
2. the capacity to address problems;
3. a corrective action plan;
4. a program to monitor corrective measures; and
5. demonstrated progress in implementing corrective measures.

Top administration officials have continued to show their commitment to ensuring that significant management challenges, including those on the high-risk list, receive attention and oversight. OMB regularly convenes

¹⁷GAO, *Defense Acquisitions: Assessments of Selected Weapon Programs*, GAO-13-294SP (Washington, D.C.: Mar. 28, 2013).

¹⁸GAO, *Defense Acquisitions: Goals and Associated Metrics Needed to Assess Progress in Improving Service Acquisition*, GAO-13-634 (Washington, D.C.: Jun. 27, 2014).

¹⁹Congress took legislative action to reform military acquisition through the Weapon Systems Acquisition Reform Act of 2009. In December 2012, we reported on DOD's progress in implementing this act. GAO, *Weapons Acquisition Reform Act: Reform Act Is Helping DOD Acquisition Programs Reduce Risk, but Implementation Challenges Remain*, GAO-13-103 (Washington, D.C.: Dec. 14, 2012).

meetings for agencies to provide progress updates on high-risk issues. GAO and OMB have agreed to hold a series of meetings on the issues on GAO's high risk list. The purposes of these meetings are to discuss progress achieved and specifically focus on actions that are needed to fully address high risk issues and ultimately remove them from the list. These meetings typically include OMB's Deputy Director for Management, agency leaders, as well as myself and have provided a useful forum for constructive and productive dialogues.

The President's Management Agenda also commits to making continued progress in managing for results. In that regard, our work has shown that progress has been made in implementing the GPRA Modernization Act of 2010 (GPRAMA).²⁰ For example, the executive branch has taken a number of steps to implement key provisions of GPRAMA. The Office of Management and Budget (OMB) has developed cross-agency priority goals, and agencies developed agency priority goals. Agency officials reported that their agencies have assigned performance management leadership roles and responsibilities to officials who generally participate in performance management activities, including quarterly performance reviews for agency priority goals. Further, OMB developed Performance.gov, a government-wide website, which provides quarterly updates on cross-agency priority goals and agency priority goals.

While the building blocks needed for implementation are being put in place, much more needs to be done before the provisions of the act are fully useful to decision makers as shown in the following examples.

Developing a Comprehensive Inventory of Federal Programs

Executive branch efforts to address crosscutting issues are hampered by the lack of a comprehensive list of programs—a key requirement of the act. As we have noted, such a list is critical for aligning federal government efforts for identifying potential fragmentation, overlap, or duplication among federal programs or activities. GPRAMA requires OMB to compile and make publicly available a comprehensive list of all federal programs identified by agencies, and to include the purposes of each program, how it contributes to the agency's mission, and recent funding information. OMB began implementing this provision by directing 24 large

²⁰Pub. L. No. 111-352, 124 Stat. 3866 (2011). The acronym "GPRA" in the Act's title refers to the Government Performance and Results Act of 1993, Pub. L. No. 103-62, 107 Stat. 285. For our work reviewing implementation, see GAO-13-518.

federal agencies to develop and publish inventories of their programs in May 2013.

Our preliminary review of these initial inventories identified concerns about the usefulness of the information being developed and the extent to which it might be able to assist executive branch and congressional efforts to identify and address fragmentation, overlap, and duplication. OMB's guidance for developing the inventories provided agencies with flexibility to define their programs, such as by outcomes, customers, products/services, organizational structure, and budget structure. As a result, agencies took various approaches to define their programs—with many using their budget structure while others used different approaches such as identifying programs by related outcomes or customer focus.

The variation in definitions across agencies will limit comparability among like programs. In addition, as reported in our annual reports on fragmentation, overlap and duplication, we have found that federal budget and cost information is often not available or not sufficiently reliable to identify the level of funding provided to programs or activities. For example, agencies could not isolate budgetary information for some programs because the data were aggregated at higher levels.

OMB identified 12 different program types (e.g., block grants, regulatory, credit) for agencies to assign to their programs; however, the list of program types does not include tax expenditures, which represent a substantial federal commitment.²¹ OMB does not yet have definitive plans on when this effort will be expanded beyond the current 24 agencies to cover all other agencies and programs. We plan to further explore these issues and report on potential ways that the federal program inventory might be improved going forward later this spring.

²¹Tax expenditures are reductions in a taxpayer's tax liability that are the result of special exemptions and exclusions from taxation, deductions, credits, deferrals of tax liability, or preferential tax rates. If the Department of the Treasury estimates are summed, an estimated \$1 trillion in revenue was forgone from the 169 tax expenditures reported for fiscal year 2012, nearly the same as discretionary spending that year. Since 1994, we have recommended greater scrutiny of tax expenditures, as periodic reviews could help determine how well specific tax expenditures work to achieve their goals and how their benefits and costs compare to those of spending programs with similar goals. For more information, see our key issues page on tax expenditures at http://www.gao.gov/key_issues/tax_expenditures.

Enhancing the Use of Collaborative Mechanisms

Collaboration across agencies, levels of government, or sectors is fundamental to addressing many high-risk issues and reducing fragmentation, overlap, and duplication. In one example, we have noted that better coordination among the more than 30 federal agencies that collect, maintain, and use geospatial information could help reduce duplication of investments and provide the opportunity for potential savings of millions of dollars.

In another example, the Department of Veterans Affairs and DOD operate two of the nation's largest health care systems, together providing health care to nearly 16 million veterans, service members, military retirees, and other beneficiaries at estimated costs for fiscal year 2013 of about \$53 billion and \$49 billion, respectively. As part of their health care efforts, the departments have established collaboration sites—locations where the two departments share health care resources through hundreds of agreements and projects—to deliver care jointly with the aim of improving access, quality, and cost-effectiveness of care. However, we found that the departments do not have a fully developed and formalized process for systematically identifying all opportunities for new or enhanced collaboration, potentially missing opportunities to improve health care access and quality, and reduce costs.

Many collaborative mechanisms, such as interagency groups and specially created interagency offices, do not operate as effectively as they could.²² These mechanisms face challenges with issues such as identifying a common outcome and managing resources across agency lines. Our work has found practices and corresponding effective implementation approaches that collaborative mechanisms have used to work effectively across agency lines. For example, we have found practices and approaches such as agreeing on roles and responsibilities, with corresponding accountability for both the agency and the individual participants, creating an inventory of agency resources dedicated towards interagency outcomes, developing outcomes that represent the collective

²²For more information on collaborative mechanisms see GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, GAO-12-1022 (Washington, D.C.: Sept. 27, 2012).

interests of participants, and developing performance measures that are tied to shared outcomes, can help enhance and sustain collaboration.²³

Effectively Implementing Strategic Reviews

OMB's 2013 guidance implementing GPRAMA directs agencies, beginning in 2014, to conduct annual reviews of progress towards strategic objectives—the outcomes or impacts the agency is intending to achieve.²⁴ Agency leaders are responsible for assessing progress on each strategic objective established in the agency's strategic plan. Effective implementation could help identify and address fragmentation, overlap, and duplication issues because as part of the strategic reviews, agencies are to identify the various organizations, programs, regulations, tax expenditures, policies, and other activities that contribute to each objective both within and outside the agency.

Where progress in achieving an objective is lagging, the reviews are intended to identify strategies for improvement, such as strengthening collaboration to better address crosscutting challenges. If successfully implemented in a way that is open, inclusive, and transparent—to Congress, delivery partners, and a full range of stakeholders—this approach could help decision makers assess the relative contributions of various programs that contribute to a given objective. Successful strategic reviews could also help decision makers identify and assess the interplay of public policy tools that are being used, to ensure that those tools are effective and mutually reinforcing, and results are being efficiently achieved.

Improving the Government's Capacity to Gather and Use Better Performance Information

Our annual reports on fragmentation, overlap and duplication have also highlighted several instances in which executive branch agencies do not collect necessary performance data. In an example from our 2011 annual report, we noted that a lack of information on program outcomes for economic development, where four agencies administer 80 programs, was a longstanding problem.²⁵ We suggested that the four agencies—the

²³GAO-14-220 and GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2005).

²⁴OMB, Circular No. A-11, Performance Plans, Performance Reviews, and Annual Program Performance Reports. (July 2013).

²⁵GAO-11-318SP.

Departments of Commerce, Housing and Urban Development, and Agriculture and the Small Business Administration—collect accurate and complete information on program outcomes. As of March 2013, the four agencies had taken actions to begin to collect better data on program performance.

Moreover, our June 2013 report on GPRAMA implementation found that agencies continue to face long-standing issues with measuring performance, such as obtaining complete, timely, and accurate performance information across various programs and activities.²⁶ In one example, we reported in June 2013 on two Federal Emergency Management Agency (FEMA) grant programs that collect performance information and feed the resulting data into a higher-level Department of Homeland Security (DHS) goal.²⁷ We found that data were self-reported by recipients and FEMA had varied and inconsistent approaches to verifying and validating the data. We recommended that FEMA ensure that there are consistent procedures in place to verify and validate grant performance data. DHS, of which FEMA is a part, concurred with the recommendation.

Given the Performance Improvement Council's responsibilities for addressing crosscutting performance issues and sharing performance improvement practices, our June 2013 report noted that it could do more to examine and address the difficulties agencies face to measuring performance across various program types, such as grants and contracts. We recommended that OMB work with the Performance Improvement Council to develop a detailed approach for addressing these long-standing performance measurement issues. OMB staff agreed with this recommendation.

Even in instances where agencies are collecting performance information, our periodic surveys of federal managers between 1997 and 2013 have found little improvement in managers' reported use of performance information to improve results.²⁸ However, agencies' quarterly

²⁶GAO-13-518.

²⁷GAO, *Grants Performance: Justice and FEMA Collect Performance Data For Selected Grants, but Action Needed to Validate FEMA Performance Data*, GAO-13-552 (Washington, D.C.: June 24, 2013).

²⁸GAO-13-518.

performance reviews of progress on their priority goals—which began at most agencies in 2011 under GPRAMA—show promise as a leadership strategy for improving the use of performance information in agencies. Of the 12 percent of federal managers who both responded to our survey and reported they were very familiar with these reviews, 76 percent agreed that their top leadership demonstrated a strong commitment to using performance information to guide decision making to a great or very great extent. In addition, according to our 2012 survey of performance improvement officers at 24 agencies, the majority (21 out of 24 agencies required to conduct these reviews) reported that actionable opportunities for performance improvement were identified through the reviews at least half the time.²⁹

Accelerated Progress Is Needed on Major Financial Management, Cybersecurity, and Fragmentation, Overlap, and Duplication Issues

To operate as effectively and efficiently as possible and to make difficult decisions to address the federal government’s fiscal challenges, Congress, the administration, and federal managers must have ready access to reliable and complete financial and performance information—both for individual federal entities and for the federal government as a whole. Overall, significant progress has been made since the enactment of key federal financial management reforms in the 1990s; however, our February 2014 report on the U.S. government’s consolidated financial statements underscores that much work remains to improve federal financial management, and these improvements are urgently needed.³⁰

In that report, we concluded that certain material weaknesses³¹ in internal control over financial reporting and other limitations on the scope of our

²⁹GAO, *Managing for Results: Agencies Have Elevated Performance Management Roles, but Additional Training Is Needed*, GAO-13-356 (Washington, D.C.: Apr. 16, 2013) and *Managing for Results: Data-Driven Performance Reviews Show Promise But Agencies Should Explore How to Involve Other Relevant Agencies*, GAO-13-228 (Washington, D.C.: Feb. 27, 2013).

³⁰GAO, *Financial Audit: U.S. Government’s Fiscal Years 2013 and 2012 Consolidated Financial Statements*, GAO-14-319R, (Washington, D.C.: Feb. 27, 2014).

³¹A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

work resulted in conditions that prevented us from expressing an opinion on the accrual-based consolidated financial statements as of and for the fiscal years ended September 30, 2013, and 2012.³² Three major impediments prevented us from rendering an opinion on the federal government's accrual-based consolidated financial statements:

- serious financial management problems at DOD that have prevented its financial statements from being auditable — about 33 percent of the federal government's reported total assets as of September 30, 2013, and approximately 16 percent of the federal government's reported net cost for fiscal year 2013 relate to DOD, which received a disclaimer of opinion on its consolidated financial statements,
- the federal government's inability to adequately account for and reconcile intragovernmental activity and balances between federal entities, and
- the federal government's ineffective process for preparing the consolidated financial statements.

In addition to the material weaknesses underlying the three major impediments, we identified other material weaknesses which resulted in ineffective internal control over financial reporting for fiscal year 2013. These weaknesses are the federal government's inability to

- determine the full extent to which improper payments occur and reasonably assure that appropriate actions are taken to reduce them,
- identify and timely resolve information security control deficiencies and manage information security risks on an ongoing basis, and
- effectively manage its tax collection activities.

There are also risks that certain factors could affect the federal government's financial condition in the future, including the following:

³²The accrual-based consolidated financial statements as of and for the fiscal years ended September 30, 2013, and 2012 consist of the (1) Statements of Net Cost, (2) Statements of Operations and Changes in Net Position, (3) Reconciliations of Net Operating Cost and Unified Budget Deficit, (4) Statements of Changes in Cash Balance from Unified Budget and Other Activities, and (5) Balance Sheets, including the related notes to these financial statements. Most revenues are recorded on a modified cash basis. The 2013, 2012, 2011, 2010, and 2009 Statements of Social Insurance and the 2013 and 2012 Statements of Changes in Social Insurance Amounts, including the related notes, are also included in the consolidated financial statements.

-
- The U.S. Postal Service (USPS) is facing a deteriorating financial situation with a lack of liquidity as it has reached its borrowing limit of \$15 billion and finished fiscal year 2013 with a reported net loss of \$5 billion.
 - The Federal Housing Administration's (FHA) mortgage insurance portfolio continues to grow, and its insurance fund has experienced major financial difficulties. FHA's capital ratio for its Mutual Mortgage Insurance Fund remained below the required 2 percent level as of the end of fiscal year 2013. The ultimate roles of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) in the mortgage market may further affect FHA's financial condition.
 - The Pension Benefit Guaranty Corporation's (PBGC) financial future is uncertain because of long-term challenges related to PBGC's governance and funding structure. PBGC's liabilities exceeded its assets by about \$36 billion as of September 30, 2013. PBGC reported that it is subject to further losses if plan terminations that are reasonably possible occur.

GAO's High-Risk list includes several of these issues, such as information security, USPS's business model, DOD financial management, and the PBGC and FHA insurance programs.³³

Increased attention to risks that could affect the federal government's financial condition is made more important because of the nation's longer-term fiscal challenges. The Administration's long-term fiscal projections—and our own long-term federal fiscal simulations—show that, absent policy changes, the federal government continues to face an unsustainable long-term fiscal path. The oldest members of the baby-boom generation are already eligible for Social Security retirement benefits and for Medicare benefits. Under the Administration's projections—and our simulations—spending for the major health and retirement programs will increase in coming decades as more members of the baby-boom generation become eligible for benefits and the health care cost for each enrollee increases. Over the long term, the imbalance between revenue and spending built into current law and policy will lead to continued growth of debt held by the public as a share of Gross Domestic Product (GDP). This situation—in which debt grows faster than GDP—means the current federal fiscal path is unsustainable.

Reliable financial and performance information is even more critical as (1) federal managers likely face increasingly tight budget constraints and

³³GAO-13-283.

need to operate their respective entities as efficiently and effectively as possible and (2) decision makers carry out the important task of deciding how to use multiple tools (tax provisions, discretionary spending, mandatory spending, and credit programs) to address the federal government's fiscal challenges.

Similarly ongoing attention is needed to address issues identified in our annual reports on fragmentation, overlap, duplication, and potential cost savings and revenue enhancements. Of the 162 areas that we have identified in our annual reports, 19 (12 percent) have been fully addressed, 111 (69 percent) have been partially addressed, and 31 (19 percent) have not been addressed.³⁴ More specifically, of the approximately 380 actions identified in our annual reports, 87 (23 percent) have been fully addressed, 187 (49 percent) have been partially addressed, and 104 (28 percent) have not been addressed as of December 2013.³⁵ Our reports and GAO's *Action Tracker* provide details for each of the issues, describing the nature of the problems, what actions have been taken to address them, and what remains to be done to make further progress.

While agencies have continued to make progress, important opportunities have yet to be pursued. The details in our reports, along with successful implementation by agencies and continued oversight by Congress, can form a solid foundation for progress to address risks, improve programs and operations, and achieve greater efficiencies and effectiveness.

In 2012, OMB collected information from the responsible agencies on the steps they have taken to address our suggested actions. To ensure sustained leadership attention on these actions, OMB also asked the performance improvement officers from responsible agencies to monitor the progress being made. GAO and OMB staff meet throughout the year to discuss the issues identified by our work and the extent to which the Administration is working to address the issues. These meetings have been helpful in monitoring progress. However, given that issues of fragmentation, overlap, and duplication often involve multiple agencies, the discussions need to be elevated to include more senior officials who

³⁴As of December 2013, one area remains under review.

³⁵We will update the status of these actions when we release our next annual report in April 2014.

have the responsibility and authority for resolving the crosscutting issues identified.

In addition to financial management and widespread fragmentation, overlap, and duplication issues, the federal government must address pressing challenges with its cybersecurity. As computer technology has advanced, federal agencies and our nation's critical infrastructures such as power distribution, water supply, telecommunications, and emergency services have become increasingly dependent on computerized information systems and electronic data to carry out operations and to process, maintain, and report essential information. The security of these systems and data is essential to protecting national security, economic prosperity, and public health and safety. We have reported that (1) cyber threats to systems supporting government operations and critical infrastructure were evolving and growing, (2) cyber incidents affecting computer systems and networks continue to rise, and (3) the federal government continues to face challenges in a number of key aspects of its approach to cybersecurity, including those related to protecting the nation's critical infrastructure.³⁶ For these reasons, federal information security has been on GAO's list of high-risk areas since 1997; in 2003, we expanded this high-risk area to include cyber critical infrastructure protection.³⁷

The federal government has taken a variety of actions that are intended to enhance federal and critical infrastructure cybersecurity. For example, the government issued numerous strategy-related documents over the last decade, many of which addressed aspects of the challenge areas we identified. The administration also took steps to enhance various cybersecurity capabilities, including establishing agency performance goals and a tracking mechanism to monitor performance in three cross-agency priority areas.³⁸ In February 2013, the president issued Presidential Policy Directive 21 on critical infrastructure security and resilience and Executive Order 13,636 on improving critical infrastructure

³⁶GAO, *Cybersecurity: National Strategy, Roles, and Responsibilities Need to Be Better Defined and More Effectively Implemented*, GAO-13-187 (Washington, D.C.: Feb. 14, 2013).

³⁷GAO-13-283.

³⁸The three cross-agency priority areas are implementing Trusted Internet connections, continuous monitoring of federal information systems, and strong authentication.

cybersecurity. Improving these capabilities is a step in the right direction, and their effective implementation can enhance federal information security and the cybersecurity and resilience of our nation's critical infrastructure.

However, more needs to be done to accelerate the progress made in bolstering the cybersecurity posture of the nation and federal government. The administration and executive branch agencies need to implement the hundreds of recommendations made by GAO and agency inspectors general to address cyber challenges, resolve known deficiencies, and fully implement effective information security programs. Until then, a broad array of federal assets and operations will remain at risk of fraud, misuse, and disruption, and the nation's most critical federal and private sector infrastructure systems will remain at increased risk of attack from our adversaries. Congress is considering several bills that are intended, if enacted into law and effectively implemented by the executive branch, to improve cyber information sharing and the cybersecurity posture of the federal government and the nation.

In closing, our nation's long-term fiscal challenges underscore the need for the federal government to operate in an efficient and effective manner. To do so, the federal government must address a number of significant management and governance challenges—many highlighted by our high risk list and our annual reports on fragmentation, overlap, and duplication. Our work has also highlighted a variety of approaches the Executive Branch and Congress could take to resolve these issues moving forward. In doing so, it is vital that both branches of government demonstrate the sustained leadership commitment needed to address these challenges. Given the crosscutting nature of many of these challenges, it will be particularly important for OMB to play a leadership role in the Executive Branch.

Chairman Carper, Dr. Coburn, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contacts

For further information regarding this testimony, please contact J. Christopher Mihm, Managing Director, Strategic Issues, at (202) 512-6806 or mihmj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement.

We have made a number of recommendations regarding Medicare improper payments, including recommendations to CMS to: improve its oversight over various contractors who administer the program and perform program integrity functions; provide clearer and more timely guidance to those contractors; strengthen its internal controls to ensure that payments are proper; and improve data and metrics used to measure Medicare's performance and ensure appropriate payments. *The open recommendations are listed next.* ✓

Open GAO Recommendations related to Medicare Improper Payments as of March 14, 2014

Product Number	Product Title	GAO Unit	Director	Recommendation Text	Status Comments
1	GAO-09-185 Medicare Improvements Needed to Address Improper Payments in Home Health	HC	Cosgrove, James C	To strengthen the controls on improper payments in the Medicare home health benefit, the Administrator of CMS should amend current regulations to expand the types of improper billing practices that are grounds for revocation of billing privileges. Grounds for revocation could include a pattern of submitting claims that are falsified, for persons who do not meet Medicare's coverage criteria, or for services that are not medically necessary.	CMS responded that the agency is exploring its authority to revoke billing privileges under the existing regulation, 42 CFR 424.535. According to CMS, the revocation regulation at 42 CFR 424.535 provides important authority for CMS to be able to timely reach providers and suppliers that are defrauding the program but is somewhat limiting in terms of the specific abusive billing situations in which it may be used.
2	GAO-10-143 Medicare Recovery Audit Contracting Weaknesses Remain in Addressing Vulnerabilities to Improper Payments, Although Improvements Made to Contractor Oversight	HC	King, Kathleen M	To help reduce future improper payments, the Administrator of CMS should develop and implement a process that includes policies and procedures to ensure that the agency promptly: (1) evaluates findings of RAC audits, (2) decides on the appropriate response and a time frame for taking action based on established criteria, and (3) acts to correct the vulnerabilities identified.	CMS concurred with this recommendation. The agency has developed written policies and procedures for its corrective action process, but the written document does not require the agency to establish timeframes for completing action on particular vulnerabilities or for followup if action is referred to other units. The written procedures also do not indicate how monitoring of corrective actions taken will be accomplished. However, CMS has taken other useful steps regarding vulnerabilities to improper payments, such as introducing new edits into the payment system to deny certain claims as improper. CMS also provided information in July 2011 on steps it had taken to inform providers about vulnerabilities that led to improper payments. In addition, CMS indicated that it regularly required the Medicare Administrative Contractors (MACs) to consider and evaluate vulnerabilities identified by the Recovery Auditors and the MACs must now submit a quarterly report on the status of their evaluations and corrective actions taken with regard to specific vulnerabilities.
3	GAO-11-592 Medicare Integrity Program: CMS Used Increased Funding for New Activities but Could Improve Measurement of Program Effectiveness	HC	King, Kathleen M	To enhance accountability and sharpen the focus of the agency on reducing improper payments, the Administrator of CMS should clearly communicate to staff the linkage between Government Performance and Results Act (GPRA) and Patient Protection and Affordable Care Act (PPACA) performance measures related to the reduction in improper payments and other measures used to determine the performance of Medicare Integrity Program (MIP) activities.	In its comments on our draft report, CMS concurred with our recommendation to clearly communicate to staff the linkage between GPRA and PPACA performance measures related to the reduction in improper payments and other measures used to determine the performance of MIP activities. CMS has drafted a strategic plan for its program integrity efforts, which agency officials indicated had performance measures related to integrity activities. Agency officials indicated in August 2013 that the plan had not been released.
4	GAO-11-592 Medicare Integrity Program: CMS Used Increased Funding for New Activities but Could Improve Measurement of Program Effectiveness	HC	King, Kathleen M	To enhance the reliability of data used to calculate the MIP ROI, the Administrator of CMS should expeditiously complete the implementation of data system changes that will permit CMS to capture accurate Medicare administrative contractor (MAC) spending data, thereby helping to ensure an accurate ROI.	In its comments on our draft report, CMS concurred with our recommendation to complete the implementation of data systems changes that will permit CMS to capture accurate MAC spending data, thus helping to ensure the accuracy of the ROI. CMS stated that the agency will convene an internal work group consisting of staff from several components to explore more efficient ways to accumulate MAC cost data and calculate ROI performance statistics. CMS also noted that some changes to the cost reporting system for contractor cost submissions have already been completed, particularly in the area of medical review cost reporting. However, the agency plans to pursue a full assessment of the costs reported across all of the MIP functions performed by the MACs to ensure that any additional changes are identified and implemented. As of our last update, CMS indicated that the work groups were still meeting.

Open GAO Recommendations related to Medicare Improper Payments as of March 14, 2014

Product Number	Product Title	GAO Unit	Director	Recommendation Text	Status Comments
5	GAO-11-592 Medicare Integrity Program: CMS Used Increased Funding for New Activities but Could Improve Measurement of Program Effectiveness	HC	King, Kathleen M	To enhance the reliability of data used to calculate the MIP ROI, the Administrator of CMS should periodically update ROI calculations after contractor expenses have been audited to account for changes in expenditure data reported to CMS and publish a final ROI after data are complete.	In its comments on the draft report, CMS concurred with our recommendation to periodically update ROI calculations after contractor expenses have been audited to account for changes in expenditure data reported to CMS and publish a final ROI after data are complete. According to CMS, the agency will update the ROI when there has been a material change in the data used in the calculation and, at a minimum, will revisit the ROI annually to account for revisions in contractor cost reports and updated savings information. CMS indicated that it had reviewed the data used to calculate the fiscal year 2011 ROI and developed a revised ROI, which was under review as of our last update. However, CMS did not indicate that it intended to regularly update its ROI after contractor expenses had been audited.
6	GAO-12-51 Medicare Advantage: CMS Should Improve the Accuracy of Risk Score Adjustments for Diagnostic Coding Practices	HC	Cosgrove, James C	To help ensure appropriate payments to MA plans, the Administrator of CMS should take steps to improve the accuracy of the adjustment made for differences in diagnostic coding practices between MA and Medicare FFS. Such steps could include, for example, accounting for additional beneficiary characteristics, including the most current data available, identifying and accounting for all years of coding differences that could affect the payment year for which an adjustment is made, and incorporating the trend of the impact of coding differences on risk scores.	Agency action to be determined.
7	GAO-13-102 Medicare Program Integrity: Greater Prepayment Control Efforts Could Increase Savings and Better Ensure Proper Payment	HC	King, Kathleen M	In order to promote greater use of effective prepayment edits and better ensure proper payment, and to promote implementation of effective edits based on national policies, the CMS Administrator should develop written procedures to provide guidance to agency staff on all steps in the processes for developing and implementing edits based on national policies, including (1) time frames for taking corrective actions, (2) methods for assessing the effects of corrective actions, and (3) procedures for ensuring consideration of automated edits whenever possible, including for all existing NCDs and other national policies.	CMS developed written procedures in November 2012 to provide guidance to agency staff on procedures for ensuring consideration of automated edits whenever possible, as GAO recommended in November 2012, but these procedures do not include several key elements of GAO's recommendation. The written procedures include all existing National Coverage Determinations (NCD) and other national policies and time frames for instituting edits once a decision has been made to develop them, but do not include time frames for making decisions on whether an edit will be developed. The written procedures also do not include requirements for methods to assess the effects of corrective actions taken. Implementing a comprehensive written process for developing edits for national policies whenever possible could help ensure that edits are implemented whenever possible to reduce improper payments.

Open GAO Recommendations related to Medicare Improper Payments as of March 14, 2014

Product Number	Product Title	GAO Unit	Director	Recommendation Text	Status Comments
8	GAO-13-102 Medicare Program Integrity: Greater Prepayment Control Efforts Could Increase Savings and Better Ensure Proper Payment	HC	King, Kathleen M	In order to promote greater use of effective prepayment edits and better ensure proper payment, and to promote implementation of effective edits based on national policies, the CMS Administrator should implement MUEs that assess all quantities provided to the same beneficiary by the same provider on the same day, so providers cannot avoid claim denials by billing for services on multiple claim lines or multiple claims without including modifiers that reflect a declaration that quantities above the normal limit are reasonable and necessary.	CMS has begun the process of evaluating Medically Unlikely Edits (MUEs) to determine which MUEs can be modified to include date of service editing information as GAO recommended in November 2012. This information will allow the modified MUEs to assess whether the total quantity of services provided to the same beneficiary by the same provider on the same day is reasonable and necessary. However, this effort is not yet complete, agency officials said. CMS began implementing date of service edits on April 1, 2013, and by January 1, 2014, had implemented date of service edit limits for more than 4,500 medical procedures. Other services were expected to be converted in future quarters, officials said. CMS's updates MUEs on a quarterly basis. By incorporating date of service limits in the quarterly MUE updating process, MUEs will be more effective because they will more accurately identify instances where the total quantity of services exceeds reasonable and necessary amounts.
9	GAO-13-102 Medicare Program Integrity: Greater Prepayment Control Efforts Could Increase Savings and Better Ensure Proper Payment	HC	King, Kathleen M	In order to promote greater use of effective prepayment edits and better ensure proper payment, and to promote implementation of effective edits based on national policies, the CMS Administrator should revise the method for compiling information about RAC-identified vulnerabilities to identify their full extent and prioritize them accordingly.	CMS agreed with GAO's recommendation and officials said that CMS would consider ways to aggregate all major findings to allow for effective prioritization of findings by recovery auditors. However, CMS officials have not indicated that they have taken any steps as a result of our recommendation.
10	GAO-13-102 Medicare Program Integrity: Greater Prepayment Control Efforts Could Increase Savings and Better Ensure Proper Payment	HC	King, Kathleen M	In order to promote greater use of effective prepayment edits and better ensure proper payment, to promote implementation of effective edits based on national policies, and to encourage more widespread use of effective local edits by MACs the CMS Administrator should improve the data collected about local prepayment edits to enable CMS to identify the most effective edits and the local coverage policies on which they are based and disseminate this information to MACs for their consideration.	CMS has reported taking initial steps to improve the data collected about local prepayment edits, as GAO recommended in November 2012. In Spring 2013, CMS established a workgroup with the Medicare administrative contractors (MAC) to determine a process for developing, sharing and implementing prepayment edits across all MAC jurisdictions to prevent improper payments, according to CMS officials. However, CMS officials said that CMS and the MACs have not yet determined the final process that will be used to collect local prepayment edit data from MACs in order to disseminate information about the most effective local edits to all MACs. If CMS obtained and disseminated information about the most effective local edits, MACs would have better information to determine the most appropriate approach for effectively implementing Medicare payment policy, which could help to reduce improper payments.
11	GAO-13-102 Medicare Program Integrity: Greater Prepayment Control Efforts Could Increase Savings and Better Ensure Proper Payment	HC	King, Kathleen M	In order to promote greater use of effective prepayment edits and better ensure proper payment, to promote implementation of effective edits based on national policies, and to encourage more widespread use of effective local edits by MACs the CMS Administrator should, until CMS has a new database in place to collect information about edits, require MACs to share information about the underlying policies and savings related to their most effective edits.	CMS officials began organizing conference calls in spring 2013 to focus on medical review collaboration among the Medicare administrative contractor (MACs) that process claims for Medicare parts A and B. However, these calls have not used MACs data about savings from the most effective local edits as a topic for discussion.

Open GAO Recommendations related to Medicare Improper Payments as of March 14, 2014

Product Number	Product Title	GAO Unit	Director	Recommendation Text	Status Comments
12 GAO-13-287	End-Stage Renal Disease: CMS Should Improve Design and Strengthen Monitoring of Low-Volume Adjustment	HC	Cosgrove, James C	To ensure that future LVPA payments are made only to eligible facilities and to rectify past overpayments, the Administrator of CMS should improve the timeliness and efficacy of CMS's monitoring regarding the extent to which Medicare contractors are determining LVPA eligibility correctly and promptly redetermining eligibility when all necessary data become available.	To ensure that future LVPA payments are made only to eligible Agency action to be determined.
13 GAO-13-287	End-Stage Renal Disease: CMS Should Improve Design and Strengthen Monitoring of Low-Volume Adjustment	HC	Cosgrove, James C	To ensure that future LVPA payments are made only to eligible facilities and to rectify past overpayments, the Administrator of CMS should investigate any errors that contributed to eligible facilities not consistently receiving the 2011 LVPA and ensure that such errors are corrected.	To ensure that future LVPA payments are made only to eligible Agency action to be determined.
14 GAO-13-287	End-Stage Renal Disease: CMS Should Improve Design and Strengthen Monitoring of Low-Volume Adjustment	HC	Cosgrove, James C	To ensure that future LVPA payments are made only to eligible facilities and to rectify past overpayments, the Administrator of CMS should require Medicare contractors to promptly recoup 2011 LVPA payments that were made in error.	To ensure that future LVPA payments are made only to eligible Agency action to be determined.
15 GAO-13-287	End-Stage Renal Disease: CMS Should Improve Design and Strengthen Monitoring of Low-Volume Adjustment	HC	Cosgrove, James C	To ensure that future LVPA payments are made only to eligible facilities and to rectify past overpayments, the Administrator of CMS should take steps to ensure that CMS regulations and guidance regarding the LVPA are clear, timely, and effectively disseminated to both dialysis facilities and Medicare contractors.	To ensure that future LVPA payments are made only to eligible Agency action to be determined.
16 GAO-13-430	Medicare Program Integrity: Few Payments in 2011 Exceeded Limits under One Kind of Prepayment Control, but Reassessing Limits Could Be Helpful	HC	King, Kathleen M	To improve the effectiveness of the unpublished MUEs and better ensure Medicare program integrity, the CMS Administrator should consider periodically reviewing claims to identify the providers exceeding the unpublished MUE limits and determine whether their billing was proper.	In its comments on a draft of this report, HHS concurred with this recommendation and indicate that CMS would conduct further analysis to determine the most appropriate way to respond.

Open GAO Recommendations related to Medicare Improper Payments as of March 14, 2014

Product Number	Product Title	GAO Unit	Director	Recommendation Text	Status Comments
17	GAO-13-430 Medicare Program Integrity: Few Payments in 2011 Exceeded Limits under One Kind of Prepayment Control, but Reassessing Limits Could Be Helpful	HC	King, Kathleen M	To improve the effectiveness of the unpublished MUEs and better ensure Medicare program integrity, the CMS Administrator should examine contractor local edits related to unpublished MUEs to determine whether any of the national unpublished MUE limits should be revised.	In its comments on a draft of the report, HHS concurred with this recommendation, and indicated that CMS would review the unpublished MUEs to determine whether any limits set should be revised.
18	GAO-13-522 Medicare Program Integrity: Increasing Consistency of Contractor Requirements May Improve Administrative Efficiency	HC	King, Kathleen M	In order to improve the efficiency and effectiveness of Medicare program integrity efforts and simplify compliance for providers, the Administrator of CMS should communicate publicly CMS's findings and its time frame for taking further action.	HHS concurred with this recommendation in its comments on a draft of the report, and indicated that, once it had examined the requirements and determined which could be made more consistent, the agency would communicate its findings and timeframe for action on its website.
19	GAO-13-522 Medicare Program Integrity: Increasing Consistency of Contractor Requirements May Improve Administrative Efficiency	HC	King, Kathleen M	In order to improve the efficiency and effectiveness of Medicare program integrity efforts and simplify compliance for providers, the Administrator of CMS should examine all postpayment review requirements for contractors to determine those that could be made more consistent without negative effects on program integrity.	In its comments on a draft of this report, HHS indicated that CMS was beginning to examine requirements for postpayment claims reviews by its various contractors, and planned to make its requirements more consistent, where possible.
20	GAO-13-522 Medicare Program Integrity: Increasing Consistency of Contractor Requirements May Improve Administrative Efficiency	HC	King, Kathleen M	In order to improve the efficiency and effectiveness of Medicare program integrity efforts and simplify compliance for providers, the Administrator of CMS should reduce differences in postpayment review requirements where it can be done without impeding the efficiency of its efforts to reduce improper payments.	HHS concurred with this recommendation and indicated that CMS would reduce differences in postpayment review requirements, where it could be done without impeding the efficiency of efforts to reduce improper payments.

Open GAO Recommendations related to Medicare Improper Payments as of March 14, 2014

Product Number	Product Title	GAO Unit	Director	Recommendation Text	Status Comments
21	GAO-14-111 Medicare Program Integrity Contractors Reported Generating Savings, but CMS Could Improve Its Oversight	HC	King, Kathleen M	To help ensure that CMS's fraud prevention activities are effective, and that CMS is comprehensively assessing zone program integrity contractor (ZPIC) performance, the Administrator of CMS should collect and evaluate information on the timeliness of ZPICs' investigative and administrative actions, such as how soon investigations are initiated after ZPICs identify potential fraud and how swiftly ZPICs initiate administrative actions after identifying potentially fraudulent providers.	Agency action to be determined.
22	GAO-14-111 Medicare Program Integrity Contractors Reported Generating Savings, but CMS Could Improve Its Oversight	HC	King, Kathleen M	To help ensure that CMS's fraud prevention activities are effective, and that CMS is comprehensively assessing ZPIC performance, the Administrator of CMS should develop ZPIC performance measures that explicitly link their work to the agency's Medicare fee-for-service program integrity performance measures and targets for its GPRA goal of fighting fraud and working to eliminate improper payments.	Agency action to be determined.
23	GAO-14-153 Medicare: Nurse Anesthetists Billed for Few Chronic Pain Procedures; Implementation of CMS Payment Policy Inconsistent	HC	Cosgrove, James C	In order to ensure consistent implementation of certified registered nurse anesthetist (CRNA) payment policy, the Administrator of CMS should clarify the applicability of the CRNA supervision rule to payment for CRNA-provided chronic pain management services.	Agency action to be determined.
24	GAO-14-153 Medicare: Nurse Anesthetists Billed for Few Chronic Pain Procedures; Implementation of CMS Payment Policy Inconsistent	HC	Cosgrove, James C	In order to ensure consistent implementation of CRNA payment policy, the Administrator of CMS should provide specific instructions to MACs on how to determine coverage with reference to a state's scope of practice laws, including instructions on how to proceed if the state scope of practice laws are not explicit.	Agency action to be determined.

Sen. Carper

The President's proposed Fiscal Year 2015 budget emphasizes the importance of recruiting and developing top agency leadership. Ms. Cobert, what are the Administration's specific plans in this area, and how will the Office of Management and Budget monitor and measure the progress in this area?

As the President's FY 2015 budget highlighted, the Administration will continue to prioritize investment in civil service leadership. Greater focus on the continued development of those who serve in our Senior Executive Service (SES), as well as working to apply their talents to the right program areas are important components of improving the SES experience. Both of these areas are fundamental to improved recruitment and leadership.

The Office of Management and Budget (OMB) and the Office of Personnel Management (OPM) are currently reviewing recommendations formulated by two work groups of senior agency leaders convened by our teams to explore strategies to improve SES onboarding as part of the Management Agenda. OPM is also reaching out to agencies to learn more about recent independent onboarding reforms that have made. We will begin to pilot new approaches based on these recommendations and models in the coming months. The results of these pilots will inform development of future improvements to Government-wide SES onboarding practices.

We also continue to work with agencies and OPM on how engagement data from the Employee Viewpoint Survey can inform agency efforts to identify organizational components where a greater focus on SES leadership would be most impactful.

Sen. Carper

The President's budget submissions for Fiscal Years 2014 and 2015 (in the volumes on Analytical Perspectives) describe the Administration's multi-year initiatives to close critical skills gaps in the federal workforce. In addition, the Fiscal 2015 budget submission presents initiatives to explore flexible approaches to recruitment and training of individuals with high-demand talents and skills and to launch demonstration projects to identify promising practices to increase diversity, reduce skills gaps, and improve organizational outcomes. What has been the degree of success so far in the efforts to identify and close critical skills gaps? In what respects do the initiatives planned for 2015 build on, and respond to lessons learned in, the efforts so far?

In response to the Government Accountability Office's (GAO) designation of human capital as a Government-wide high risk, OMB created a Cross-Agency Priority (CAP) Goal to identify and close the most critical skills gaps across the Government in 2011. Since then, the Chief Human Capital Officer Council, led by OPM and OMB, has partnered with staff at OPM and key agencies to identify the following mission-critical occupations for gap closure: IT-Cybersecurity Specialists, Contract Specialists, Economists, Human Resources Specialists, and Auditors. In addition, the workgroup identified STEM (science, technology, engineering, and mathematics) as a sixth functional area covering multiple occupations which requires sustained strategic attention across Government.

To close skills gaps in these areas, OMB designated sub-goal leaders from agencies whose missions critically depend on these occupations. Together, with these sub-goal leaders, OPM continues to develop and execute strategies to close skills gaps in these occupations.

Successfully closing skills gaps is also critically dependent on a strong HR workforce. OPM has focused on this workforce and designated HR Skills Gaps as an Agency Priority Goal in 2013 and 2014. A key tool OPM will use to address that gap is HR University, a one-stop resource where Federal HR professionals can access training and developmental resources that are available across the Federal Government.

In addition to these training efforts focused on better leveraging the Federal workforce, we have also deployed creative initiatives such as the Presidential Innovation Fellows (PIF) program which is already showing great results. For example, more than 270 new businesses that had never before approached the world of Federal contracting bid on procurements through the RFP-EZ pilot – which was designed by a PIF-led team – where the average bid was 30 percent lower than bids for the same projects on FedBizOpps.

Our 2015 strategy builds on lessons learned by continuing to use the Chief Human Capital Officers (CHCO) Council and the Chief Learning Officers Council as forums to help agencies share innovative approaches, as well as promising and proven practices in identifying and rectifying competency gap closure.

Sen. Carper

Last year, the Government Accountability Office (GAO) issued a report describing some opportunities for improved coordination and data sharing by state-level agencies managing Medicaid, Temporary Assistance for Needy Families, the Supplemental Nutrition Assistance Program, and other programs that are funded through federal payments. The GAO report (*“Human Services: Sustained and Coordinated Efforts Could Facilitate Data Sharing While Protecting Privacy;”* GAO-13-106) was based on an extensive examination of the issue, and interviews with state and local government officials, including officials whose states have successfully implemented data sharing in order to reduce the paperwork burden on program applicants and curb improper payments.

Of course, government agencies at the state level often work with individuals who receive benefits from multiple programs. Instead of gathering data one time to determine eligibility, review applications, confirm the accuracy of payments, and take other basic administrative steps, too often different agencies perform the same functions separately for each program. In many states, applicants are required to provide basic information multiple times, filling out virtually identical forms. This lack of coordination is an unnecessary burden on applicants. It can also result in increased errors and higher administrative costs.

GAO has found that some states do successfully share basic data, without infringing on privacy and other concerns. Their experience clearly demonstrates the payoff from such coordination, which has included faster benefits redeterminations, a lesser burden on applicants, and fewer improper payments. However, state officials and other stakeholders told GAO that there was confusion or misperceptions regarding data sharing between agencies and programs under federal privacy laws.

- a. Could you provide an update as to whether the Administration is following the recommendations by the GAO?
- b. Is the Administration implementing or considering additional initiatives that could help state agencies that manage federal programs become more efficient through improved data sharing?
- c. Is the Office of Management and Budget reviewing the current guidance on privacy laws for possible clarification to federal and state agencies? If so, when will this review be complete?

GAO’s study “Sustained and Coordinated Efforts Could Facilitate Data Sharing While Protecting Privacy” provided two recommendations for executive action:

- 1.) [T]hat the Secretary of [the Department of Health and Human Services] (HHS) ensure timely completion of the department’s planned activities to clarify what data sharing is permissible under federal privacy requirements and consider other ways to bolster the efficacy of its efforts.

2.) [T]hat the Director of OMB take a more active leadership role in considering additional opportunities to identify and disseminate useful data sharing practices and tools that address privacy requirements among human services programs.

OMB has maintained its leadership role with Federal agencies to ensure protection of privacy and sharing of best practices. As GAO noted in its report, OMB released Memorandum M-11-02 in 2010 entitled, "Sharing Data while protecting Privacy." This memorandum identified several aspects of agency data sharing that may be of potential benefit. Since that time, OMB has released formal guidance on two of those areas – (1) improper payments, and (2) research, evaluation, and statistical activities.

On August 16, 2013, OMB released Memorandum M-13-20, Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative, which provides guidance to help Federal agencies protect privacy while sharing data to reduce improper payments as intended by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). M-13-20 provides Roles and Responsibilities; guidance on Use, Maintenance, Duplication, and Re-disclosure of Records; Retention and Destructions of Records; Correction of Data; Procedural Safeguards; and provides guidance in several other areas. The OMB memo has already led to tangible results; the Department of the Treasury has published a system of records notice for the Do Not Pay Initiative and they are moving forward with the program.

On February 14, 2014, OMB released Memorandum M-14-06, Guidance for Providing and Using Administrative Data for Statistical Purposes, to provide concrete tools to help Federal agencies use and offer programmatic data in Federal statistical system activities. The guidance includes provisions on strong data stewardship principles, a model data sharing agreement, and a model data quality assessment tool, and is also applicable to State and local agencies interested in sharing data for research, evaluation, and statistical activities. OMB defers to HHS on the status of their planned activities.

Additional initiatives are proposed by OMB Memorandum M-11-01, Pilot Projects for the Partnership Fund for Program Integrity Innovation, developed a Partnership Fund to improve delivery of Federal assistance programs administered through State and local governments by providing Federal agencies funds to pilot and evaluate promising innovations to pursue four goals: improve payment accuracy; improve administrative efficiency; improve service delivery; and to reduce access barriers for eligible beneficiaries.

Early results are reported in the President's FY 15 Budget and include HHS's Centers for Medicare & Medicaid Services (CMS) working with States to better identify provider fraud and share fraud information through automated risk assessment tools using integrated data from State Medicaid programs and the Federal Medicare program, finding that collaborative data analysis could help to identify potential fraud.

Finally, OMB regularly reviews our existing guidance on privacy to evaluate its sufficiency and to consider possible improvements for all stakeholders, as appropriate.

Sen. Carper

In your testimony, you noted that the Administration is focused on increasing shared services across the government.

- a. In 2012, the Deputy Director for Management created the Interagency Strategic Sourcing Leadership Council (ISSLC), which is chaired by the Administrator for Federal Procurement Policy, to lead the effort across the government to increase strategic sourcing. What will be the governance structure for encouraging increased shared services, and for tracking the progress of the government in saving money through shared services?**
- b. Which specific shared services will you focus on?**

The Strategic Sourcing Leadership Council (SSLC) is actively engaged in identifying solutions that can reduce duplication and costs. The Council serves as the governance community for identifying potential new solutions, overseeing solution development, increasing adoption and monitoring performance. The SSLC's interagency commodity teams are reviewing dozens of goods and services to find opportunities to leverage spending.

In March 2013, OMB issued OMB Memorandum 13-08 charging the Department of Treasury with building out the financial management shared services network and directing agencies to consider Federal Shared Services providers first when they need to next modernize their financial management system. To date, three large agencies are in various stages of discovery with three shared services providers. In addition, Treasury and OMB have released the first set of FSSP designations and have convened a cross-agency working group under the CFO Council to address governance issues as FSSPs begin to take on cabinet-level agencies. Finally, one of the Administration's new cross-agency priority goals focuses on financial shared services working towards issues of governance, product sharing, and implementation of centralized services applications.

Sen. Carper

Good program management is essential to making sure that programs meet their mission and deliver services on time and within budget.

- a. Over the years, the federal government has developed a well-defined framework for the acquisition workforce, with specific certification requirements, clear career paths, and government-wide training (for example, through the Federal Acquisition Institute and the Defense Acquisition University). What lessons from these efforts might we draw on for project management?
- b. The Office of Management and Budget's 25-point plan for improving information technology management, released in December 2010, included a commitment to design a formal IT program management career path. What has been done to monitor the success of this initiative?
- c. What steps could the Office of Management and Budget take to increase the professionalism of program managers across the government?

OMB is committed to ensuring good program management across the Federal Government, and has taken steps to apply across government the lessons learned from our work with the acquisition workforce. We have made advances in training and skill development for program managers as well as in improved technology management.

Well-trained program and project managers are critical to the successful outcome of Federal programs – especially high risk programs. Therefore, continued attention to their development and performance is important. Program managers are considered integral members of the Federal Government acquisition workforce and, as such, both the Department of Defense (DoD) and the civilian agencies have competency-based certifications and specific training requirements.

To ensure that these requirements accurately reflect the increasing complexity of many Federal programs, the Federal Acquisition Certification for Project and Program Managers (FAC-P/PM for civilian agencies) was updated in December 2013 to reflect the need for better, more rigorous training to improve the management of high-risk, high-impact programs. To address the unique nature of IT acquisitions, an IT specialization track has been added, which complements the existing IT program management career path developed in 2010.

In terms of improving information technology management, in December 2010 OMB released a 25-point plan. To monitor the success of this initiative, OMB's Office of E-Government and Information Technology (E-Gov) worked with OPM and the Chief Information Officers (CIO) Council to launch the IT Program Manager Career Path in May 2011. This effort included the creation of a new basic title and definition for Information Technology Program Manager under the Technology Management Series, GS-2210 and the release of the IT Program Management Career Path Guide, which provides guidance to Federal agencies on the creation and improvement of the IT Program Management career path at each agency.

Looking forward, E-Gov and OMB's Office of Federal Procurement Policy (OFPP) will continue to work together to strengthen the skills of this important workforce – especially for IT programs. OFPP began work on the professionalism of civilian agency program managers by determining the competencies needed by a successful program manager and setting standards for training and development to achieve those competencies. This work must continue in order to keep pace with workforce and technology changes. Therefore, both DoD and the Federal Acquisitions Institute (FAI) have groups of subject matter experts that periodically review the competencies and ensure they are the correct ones to ensure successful program outcomes.

Sen. Carper

In the current budget-constricted environment, one procurement option available to agencies is a “no-cost” model. Under this type of model, the contractor assumes the financial risk of delivering what the purchaser needs and is paid in a non-traditional way once the procurement is successfully completed (for example, by fee-for-service or a share of savings). Based on your experience at McKinsey & Company, in what ways has the private sector used this type of approach to procurements, and for what types of services has this model been most successful? What lessons should the government draw from the private sector with respect to use of “no-cost” contract models?

While my personal experience with the use of transactional-based or “no-cost” contracting in the private sector was relatively limited, I fully support the use of innovative tools which can reduce costs to agencies, while improving efficiencies for those that directly benefit from the end product. As part of OMB’s broader initiative to improve IT service delivery, we are exploring potential uses of this tool to – for example – make agency information and databases more available to the public and the extent to which this tool may help agencies and end-users to capture efficiencies that they otherwise would not be able to realize through more traditional contracting or financing approaches. Because the number of innovative applications of the no-cost model is still relatively limited in the Federal Government, we believe that OMB can be effective in exploring where it has been used successfully both inside and outside of the government, and considering any implementation challenges that may be unique to its use in the government.

Sen. Carper

Earlier this month, OMB issued fifteen new cross agency priority (CAP) goals. What lessons has OMB learned from its past experience with CAP goals that will help it and agencies towards making real gains on these new set of goals?

Over the course of 2012-2013, OMB and other offices in the Executive Office of the President (EOP) managed a set of 15 CAP goals focused on a variety of mission and management priorities. We had many tools for managing policy, legislative, and budget processes, but previously lacked a management tool that looked across agencies and focused on implementation of presidential priorities. The initial set of goals did show significant progress across the government in delivering results and positive impact for the American people. For instance, as part of the cross agency efforts to support the President's National Export Initiative, the Department of Commerce, as Chair of the Trade Promotion Coordinating Committee (TPCC), has taken actions to help achieve a record level of exports of \$2.3 trillion in 2013, which supported an additional 1.3 million U.S. jobs. For example, in 2013, the Department of Commerce's International Trade Administration (ITA) met its goal of increasing the annual number of new markets that current U.S. exporters enter with ITA assistance to 6,100, a 7 percent increase.

Based on experience with the initial set of CAP Goals, a number of lessons learned informed changes that we made to our implementation approach for the FY 14-17 CAP Goals. The new goal structure recognizes the value of agencies in implementation by expanding goal leadership from a Goal Leader within the EOP to Co-Goal Leaders with EOP and a senior leader from an agency sharing leadership responsibilities. A second lesson relates to the criteria for selecting goals. In the new set recently released, we emphasized issues in which cross-agency collaboration was an essential operational requirement of effective delivery. Multiple agencies sharing a common issue area was not enough; rather, we identified goals in which interagency collaboration, cooperation, and alignment connects more directly to performance outcomes. Third, we realized the need for flexibility in measurement of progress. The new set of CAP Goals will more frequently use a suite of measures rather than one key measure.

Sen. Carper

What do you see as the major reforms needed to get better results in the government's spending on IT?

For Federal programs to succeed it is critical that agencies view IT as a strategic asset, one that should be harnessed to increase efficiency and effectiveness in program performance and maximize customer service not only for agency users across the Government, but also for non-Federal users of government information, such as States, localities, businesses, and individuals.

Through policy and oversight, the Administration has improved IT efficiency, arrested the growth in IT spending witnessed prior to 2009, and delivered better value from IT to American taxpayers. Total planned spending on IT for the FY 2015 Budget is estimated to be \$80.1 billion, 1.6 percent below the 2014 estimated level of \$81.4 billion. Furthermore, IT spending grew at a rate of 7.10 percent per year over 2001-2009; that has been slowed to 0.49 percent per year for 2009-2015.

These spending trends have been driven by a number of tools, initiatives, and programs the Administration has centrally put in place which enable agencies to more efficiently use IT, and in the process, shift critical resources to mission goals. Some examples include:

- TechStat – TechStats are face-to-face, evidence-based accountability review of IT investments, which result in concrete actions to address investment weaknesses, such that the troubled investments are turned around or terminated.
- PortfolioStat – A tool that agencies use to assess the current maturity of their IT portfolio management, make decisions on eliminating duplication, augment current CIO-led capital planning and investment control processes, and move to shared solutions in order to maximize the return on IT investments across the portfolio.
- Federal Risk Authorization Management Program – The Federal Risk and Authorization Management Program (FedRAMP) is a government-wide program that provides a standardized approach to security assessment, authorization, and continuous monitoring for cloud products and services.
- Digital Government Strategy – Under, the DGS, mobile tools were developed so that Americans can access information from their government anywhere, anytime, and on any device.

However, there is still much more to do. The focus of government IT delivery must shift from compliance and process to meeting user needs. That is why OMB, in conjunction with other stakeholders inside and outside the government, is engaging in an effort to ensure agencies deliver smarter IT services by working with the best companies, employing the best people and putting in place the best accountability and oversight processes.

More specifically:

- Get the Best Talent Working Inside Government – by working with agencies to utilize existing authorities to attract top talent. We are working to incubate and scale new approaches to the design, development, and delivery of top digital services and

transactions. These approaches will remove barriers to exceptional government service delivery and remake the digital experiences that citizens and businesses have with their government.

- Get the Best Companies Working with Government – by increasing visibility of contracting opportunities for small, innovative companies and by maximizing use of available contracting flexibilities and best practices.
- Put the Right Processes and Practices in Place to Drive Outcomes and Accountability – by creating and applying a new oversight and management process to highest impact IT investments in the Federal government. This process will include the best IT development and management approaches employed by the public and private sectors. Lessons learned from this oversight process will be used to expand best practices across all agency IT investments.

The Federal Government needs to modernize the way it builds, buys, and delivers IT services while prioritizing customer service that meets the expectations of a 21st century society, and we are working to accomplish this.

Sen. Carper

As we discussed at the hearing, improving the management of federal real property is one of my top priorities.

- a. What challenges are preventing the federal government from reducing its real estate footprint?
- b. How can Congress assist agencies in eliminating unneeded assets and making better use of existing space?
- c. What challenges do current budget scoring rules create for agencies with respect to the process for disposing of unneeded property?
- d. How can federal agencies effectively use public-private partnerships to redevelop underutilized property?

The primary challenges preventing the Federal Government from reducing its real property portfolio are competing stakeholder interests, financial disincentives, and one-size fits all disposal process that too often prevents or significantly delays the disposal or sale of properties.

Congress can assist agencies' efforts to eliminate unneeded assets by supporting the Administration's legislative proposal to transform the management of real property, known as the Civilian Property Realignment Act (CPRA). CPRA would help eliminate the three main difficulties agencies confront to eliminate unneeded assets: red tape, financial disincentives, and competing stakeholder interests. All have traditionally slowed or halted progress when we have attempted to reduce our real estate footprint one asset at a time.

With respect to disposing of unneeded property, the budget scoring rules do not apply to property disposals. The budget scoring rules that address the treatment of lease-purchases and leases of capital assets apply to acquisitions of capital assets, not disposals.

The scoring rules were developed jointly by OMB, CBO, and the Budget Committees to ensure that the full cost of capital acquisitions are recognized up-front when the decisions are made and to ensure that decisions regarding whether to purchase or lease were not driven by scoring considerations. Note that out-leases of underutilized real property do not create scoring concerns and that the CPRA proposal mentioned above was crafted to avoid scoring concerns.

The authorities agencies possess to use public-private partnerships are varied. Where agencies have the authority to use public-private partnerships to redevelop underutilized property, the transactions are scored in accordance with the budget scoring rules regarding the treatment of lease-purchases and leases of capital assets. The scoring rules take into account the level of private-sector risk. If there is not substantial private risk, and the project is more governmental in nature, the agency must score the transaction as if it were a direct Federal acquisition requiring full, upfront funding.

In addition to getting, selling, or consolidating underutilized properties, the Administration believes significant opportunity exists to improve the utilization of existing space. We are currently implementing a real property metrics benchmarking effort across the Federal real estate

that leverages existing data to strategically address the government's real property portfolio by freezing growth in the portfolio, measuring the cost and utilization of real property to support more efficient use, and identifying opportunities to reduce the portfolio through asset disposal. The "Freeze the Footprint" policy was issued in 2012 to freeze growth in federal real estate portfolio. The benchmarking effort will measure the cost and utilization of individual assets to identify potential actions to reduce the portfolio. The major challenge to consolidation and renovation projects is identifying upfront investment funding to support moving staff and equipment, construction, IT infrastructure modifications, and furniture procurement.

Sen. Pryor

On May 15, 2013, Senator Begich and I sent the Office of Management and Budget (OMB) a letter encouraging OMB to work with federal agencies to close zero balance bank accounts. At the time, reports indicated that federal agencies had not moved quickly to close empty bank accounts and that the federal government was spending \$890,000 annually to maintain the servicing of 13,000 empty accounts. In our letter, we asked OMB to exercise its authority and consider implementing methods that would compel federal agencies to work with urgency to close bank accounts that contain a zero balance. To date, we have not received a response. Would you please provide me with OMB's plan of action for working with federal agencies to close empty accounts and prevent the continued accrual of wasteful fees?

- a. At the end of 2013, how many zero balance bank accounts were accruing servicing fees?
- b. Does OMB have a timeline to close the empty accounts?
- c. Does OMB have the necessary authority to compel federal agencies to close the empty accounts?

In April 2012, GAO issued a report on "Grants Management: Actions Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies" (GAO-12-360). In the report, GAO recommended that OMB take the following three actions to improve the closeout of agency grants:

- Revise the definition of "undisbursed balances in expired grant accounts" in future guidance issued to agencies, including those required to report under Section 536 of the Commerce, Justice, Science, and Related Agencies Consolidated Appropriations Act, 2012, to focus on undisbursed balances obligated to grant agreements that have reached the grant end date and are eligible for closeout, as described in this report.
- Instruct agencies with undisbursed balances still obligated to grants several years past their grant end date to develop and implement strategies to quickly and efficiently take action to close out these grants and return unspent funds to the Treasury when appropriate.
- Instruct agencies with expired grant accounts in federal payment systems with no undisbursed balances remaining to develop and implement procedures to annually identify and close out these accounts to ensure that all closeout requirements have been met and to minimize any potential fees for accounts with no balances.

As GAO noted in the report, OMB had provided to GAO the following comments regarding the draft of the report:

OMB is in general agreement with GAO's recommendation in regards to providing better guidance for agencies in the management and closeout of expired grants with undisbursed balances. We are in the process of reviewing and streamlining our grant policy guidance to the agencies and will consider these recommendations.

On October 12, 2012, OMB reiterated its general agreement with the GAO report in the letter that the OMB Deputy Director for Management sent to Congress pursuant to 31 U.S.C. § 720. A copy of the OMB letter is attached. On July 24 2012, OMB sent an OFFM “Controller Alert” to all Federal agencies’ Chief Financial Officers (CFOs), in which OMB directed the CFOs to take appropriate action to closeout grant award accounts in a timely fashion and reduce undisbursed balances. A copy of the Controller Alert is attached.

In December 2013, OMB issued further directions to agencies on grant closeout requirements. Under these instructions, specific actions need to be taken, to closeout a grant at the end of the award’s performance period. These instructions were included in the “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” that were published in the Federal Register on December 26, 2013 (78 FR 78590). The closeout requirements, which include a timeline for agency action, are found at Section 200.343 on “Closeout” (78 FR 78638-39). A copy of Section 200.343 is attached.

Many agencies’ grant accounts are maintained by the Payment Management System (PMS), which is administered by the HHS Program Support Center (PSC). OMB does not have information about how many grant accounts had zero balances and were accruing servicing fees as of the end of fiscal year 2013.

Sen. McCaskill

The SES was meant to be a corps of leaders who would periodically move within and across agencies and sectors to gain an enterprise-wide perspective and provide strategic management expertise across the various agencies. The intention of creating the SES was to build a more capable and cohesive leadership senior management with, according to their website, “shared values, a broad perspective of government, and solid executive skills,” and avoid promoting only technocrats with specific issue-area expertise and little experience or knowledge in efficiently managing large organizational structures.

The SES payment structure, including payment of performance bonuses, was supposed to support the idea that SES employees were going to bring management expertise to actually improve agencies’ performance.

Sadly, none of this has happened. SES employees spend their entire careers in one agency, and none of the cross-pollination that the creators of the SES had hoped for has occurred. Today, almost half of the over 7,000 SES employees have stayed in the same position in the same organization for the entire SES portion of their career. Just 8 percent of SES employees have worked at more than 1 agency during their SES tenure, and fewer than that have ever worked outside the federal government.

Compounding matters, the bonuses have become matters of right to SES employees, rather than a reward for actual performance. A recent GAO report found that every physician in GAO’s random 2010 and 2011 samples who was eligible to receive performance pay received it, even in cases where their actual performance was problematic. Some doctors were even practicing medicine without valid licenses, and they still got bonuses.

Has OMB done any work in this area to determine if these bonuses are actually effective tools to improve performance?

OMB continues to work with OPM and all agencies to determine the most cost efficient and effective use of performance awards for all employees. In order to both reduce costs and drive a more rigorous employee performance management process that reflects meaning performance distinctions and motivates employees, OMB and OPM jointly issued guidance in November 2013 to place agency caps on awards spending in FY 2014 and beyond. This guidance reiterated administration policy that was first released in June of 2011, which implemented caps on awards spending for FY 2011 and FY 2012.

In your testimony, you mention pilot projects to look at improving recruiting, hiring and talent deployment.

Can you describe some of these pilot projects?

OPM has reached out to individual agencies to identify internal barriers to hiring, and to support them in removing those barriers so federal agencies get the additional talent into empty positions in a timely manner. At times, the biggest obstacles can be overcome by improved communication regarding existing hiring authorities and engaging program directors and hiring managers more directly in the hiring process.

OPM is also identifying areas where new approaches to using existing authorities would be beneficial. For example, a number of agencies have uncovered promising practices in agile talent deployment, often using memorandums of understanding to share employee time on a part-time basis between offices. OPM has begun to capture these best practices and received commitment from a number of agencies to fully pilot those approaches in an effort known as GovConnect. We discussed some of the anecdotal evidence at a recent meeting of the President's Management Council and agencies are signing up to fully pilot programs this month.

OPM is also using its conversations with agencies to identify areas where it may be appropriate to explore new authorities to improve hiring.

Are they focused on managerial positions?

Our efforts to improve recruitment, hiring, and talent development will span all Federal positions.

How, if at all, do they differ from current SES recruiting, hiring and talent deployment efforts?

These efforts are complementary, as improving the SES necessarily entails improvements to recruitment, hiring, and talent deployment processes, and vice versa.

For example, we know that the current SES hiring process relies extensively on lengthy written qualifications statements and a centralized qualifications certification process which can impact our ability to successfully attract a broad sector of top talent. We are currently looking to identify efficiencies in that process, and how it might be modified to ensure we facilitate hiring of the best executive talent.

The conversations OPM is having with agencies will inform our approach to meaningful improvements to the SES program.

What other specific reforms or pilot projects is the administration considering that will affect the recruitment, retention, performance or pay structure of the SES, if any?

All specific personnel reforms and pilot projects we are currently planning are described above, and in the answer below. OMB and OPM remain open to considering alternative approaches as they engage with agencies and thought leaders in each of these areas.

As you mentioned in your testimony, the administration has 15 cross-agency priority goals. According to the website, the purpose of these goals is “to improve cross-agency coordination and best practice sharing.”

Wouldn’t a cadre of management professionals that had spent time in multiple agencies across the federal government go a long way towards accomplishing some of these cross-agency goals?

We have designated senior executive co-leads for each of the CAP goals, who come from a variety of backgrounds. Each goal is supported by sub-goal leads and staff who also inform their work with a variety of work experiences. We are confident that the teams OMB has assembled have a sufficient diversity of work experience in the federal sector to inform the cross-agency nature of these goals.

Do you think that reform of the SES to require multi-agency or private sector experience at some point in the career of an SES employee might be helpful in achieving the kind of cohesive federal enterprise would serve our country better and in a more cost-effective way?

There is no question that multi-agency and private sector experience can be valuable tools to our senior leaders, including making progress in our cross-agency goals. The key question is whether they are necessary components in the career development for all SES positions, which span a broad array of program areas.

OPM is also currently organizing an outreach effort on strategic questions around visioning the 21st Century leader. They are looking to identify efficiencies in that process, and how it might be modified to ensure we facilitate developing, recruiting, selecting, and managing the best executive talent.

Sen. McCaskill

The Department of Homeland Security uses a tool called the Balanced Workforce Strategy (BWS) Tool to collect a variety of data to evaluate the workforce needs for critical areas of DHS's mission that had been in the control of contractors. For each analysis, the BWS Tool collects information including identifying information for the function (or contract); the DHS Component's responses to questions concerning the function; the suggested ratio of federal employees to contractors; and the Component's reaction to the recommendation. The Component is supplied with all of the data and summaries for each analysis to assist it in making final recommendations for how to best source a function.

What efforts is OMB taking to replicate this tool government-wide and require other agencies to use it, or something similar?

At OMB's request, the Department of Homeland Security (DHS) has provided briefings to familiarize agencies with this tool works and how it might be deployed. OMB will continue to work with agencies to understand the value of using automated tools such as the BWS in helping them to manage the multi-sector workforce.

Sen. McCaskill

On July 29, 2009, OMB issued a memorandum which required agencies to begin strategically planning for and managing the multi-sector workforce. The memorandum states that “OMB is analyzing ways in which agencies can track more detailed information on contracted work that could be used by federal officials to better manage the multi-sector workforce.” OMB also directed agencies to perform a cost analysis when the function is commercial in nature and appropriate for contracting to determine whether contractors or federal employees are more cost-effective.

Since OMB’s July 29, 2009 memorandum was released, DHS began using its BWS tool, and the Army has briefed OMB on its lessons learned from the development of its contractor inventory. Yet, to date, OMB has provided no additional guidance to agencies regarding when and how to perform cost analyses despite stating, in writing, that OMB expected to issue guidance in these areas by mid-July 2012. OMB has also failed to provide guidance to agencies on contract data collection.

What is the reason for OMB’s delay in following-through with this guidance on cost-analyses and contract data collection?

We agree that cost comparisons can play a useful role in furthering fiscal responsibility and driving better results by helping agencies determine the relative cost of performance by federal employees versus contract performance. What is also clear is that comparisons must consider the full cost of performance by both sectors and make like comparisons of costs. OFPP has been working with DHS as well as DOD to discuss the tools they have put in place to assist in conducting these analyses and their experience to date. We have also worked with DHS and DOD to brief other agencies on their respective tools so they take advantage of these models, as appropriate. Allowing agencies to gain experience with these tools is critical to figuring out what additional government-wide guidance may be needed to further support the smart and fair use of cost comparisons.

Does OMB plan to publish any additional guidance?

We are pleased that DoD and DHS (whose acquisition activities represent the vast majority of federal buying) have developed policies and procedures consistent with the principles of full costing and like comparisons. At this time, we think the best approach is to allow agencies to gain additional experience to evaluate what additional government-wide guidance may be needed to support smart and fair use of cost comparisons.

Sen. McCaskill

During a hearing held by the Subcommittee on Contracting Oversight on March 29, 2012, Debra Tomchek, Executive Director, Balance Workforce Program Management Office, Department of Homeland Security (DHS) testified that DHS had saved \$28 million by converting 2,600 jobs from contractors to federal civilian positions.

What other agencies, if any, are undertaking this kind of analysis?

DoD's Office of Cost Assessment and Program Evaluation (CAPE) issued Department-wide guidance for estimating and comparing the costs of contractor performance to federal employee performance. OMB has worked with DoD to provide briefings of its guidance to other agencies so they can consider and use it for their own analyses as appropriate.

Sen. McCaskill

During sequestration and hiring freezes, agencies lacked the flexibility to adapt to changing workloads. In response to some questions submitted to the Army after the March 29, 2012 Subcommittee on Contracting Oversight hearing, Jay Aronowitz, Deputy Assistant Secretary for Force Management, Manpower and Resources, Department of the Army, stated that, even when their analysis showed that using a federal employee was more optimal both from a cost and a mission perspective, the Army has sometimes been forced to use a contractor instead because of a DOD-mandated freeze on civilian full-time equivalents (FTEs) for FY 2011 through FY 2013. That cap was later extended through FY 2018.

In your experience is this a unique situation, or are these somewhat arbitrary caps and hiring freezes are ultimately self-defeating as a way for the federal government to save money?

Agencies continue to have the flexibility to manage their own full-time equivalent (FTE) levels and to determine how many FTEs are required to successfully accomplish their mission. In exercising this flexibility, agencies may sometimes put into place internal management controls on FTE levels to help to ensure that the agency does not exceed its budget authority.

However, in situations where a Federal employee is more efficient both in terms of cost and successfully delivering on their mission, agencies should employ a Federal worker to the extent possible. As noted above, OMB will continue to work with agencies, including the Department of Defense and the Army, in developing and implementing tools that assist in conducting cost comparisons that deliver fiscal responsibility and drive results.

**Post-Hearing Questions for the Record
Submitted to The Honorable Daniel M. Tangherlini
From Senator Thomas R. Carper**

**“Management Matters: Creating a 21st Century Government”
March 12, 2014**

1. **Some have suggested that we need centers of IT expertise within the government that are dedicated to helping agencies develop and procure their IT systems.**

- a. **What expertise or assistance does GSA already provide to other agencies to help improve IT outcomes?**

In alignment with GSA’s first strategic goal to provide savings to Federal departments and agencies, GSA has prioritized the following areas: timeliness, access to critical Information Technology (IT), and savings to assist agencies in improving IT outcomes.

Timeliness

GSA leverages its expertise and experience in developing requirements to help agencies quickly and accurately assess their technological needs so that they can acquire what they need faster. Using GSA schedules is estimated to cut procurement times by between 25-50% for certain orders. Another example of how GSA assists agencies with time-savings is through sample Statements of Work documents for our contract vehicles and technology solutions. These templates help fill the knowledge gap for agencies acquiring innovative technologies, speeding the delivery of products and services.

Access

GSA provides a variety of resources enabling agencies access to innovative technologies. Besides GSA’s ongoing IT assistance efforts, GSA is also internally shifting to the concept of category management. This effort will aid GSA in leveraging strategic sourcing vehicles, as well as the supply chain, and will improve the alignment of GSA’s internal resources to better support agencies. Outcomes of this internal shift to category management will include the creation of IT Centers of Knowledge for: software, network services, Cloud services, satellite communication, and cybersecurity resulting in more effective and efficient agency access to these resources.

Existing GSA IT agency assistance includes Cloud services. GSA’s Infrastructure-as-a-Service and E-mail-as-a-Service were the first Cloud-focused contract vehicles and have supported over ten agencies moving systems to the Cloud. An example of agencies using existing Cloud services procurement vehicles is the Army, who are using GSA’s E-mail-as-a-Service

Blanket Purchase Agreements (BPAs) to create their own Cloud E-mail BPA procured from GSA's IT offerings on Schedule 70. Additionally, GSA's Alliant Governmentwide Acquisition Contract (GWAC) has helped agencies award twenty-one task orders valued at over \$500 million for Cloud services in the past two years.

GSA's Federal Risk and Authorization Management Program (FedRAMP) provides a standard approach for conducting security assessments and authorizations of cloud systems. FedRamp enables agencies to accelerate their adoption of secure cloud solutions and substantially lowers cost through reuse of standardized security processes, assessments, and authorizations.

Another example of existing GSA IT vehicles accessible to agencies is the use of GSA's Federal Systems Integration and Management (FedSim) program by the U.S. Department of Homeland Security (DHS) to administer the Continuous Diagnostics and Mitigation (CDM) program tools and Continuous Monitoring-as-a-Service (CMaaS) BPAs. The CDM tools/CMaaS BPAs were established using GSA Multiple Award IT Schedule 70. The pricing on Schedule 70 was used as a benchmark to establish the initial discounts for the BPAs, additionally, further tiered discounts based on cumulative quantities are available options to agencies procuring CDM tools and CM services. A Federal Strategic Sourcing Initiative (FSSI)-like reporting mechanism was built into the BPAs, with quarterly sales reporting to track usage, and to ensure volume discounts are achieved by all BPA users, over the life of the program. The BPAs were established with broad agency accessibility in mind, allowing for greater usage to achieve better pricing and greater discounts for all of Government.

GSA also partnered with the U.S. Department of Defense in creating a report for cyber-acquisition as part of Executive Order 13636. The report provides a path forward to align Federal cybersecurity risk management and acquisition processes. It provides strategic recommendations for addressing relevant issues, suggests how challenges might be resolved, and identifies important considerations for the implementation of the recommendations. The ultimate goal of the recommendations is strengthening the cyber resilience of the Federal Government by improving management of the people, processes, and technology affected by the Federal Acquisition System.

The recommendations, currently out for public comment (Federal Register submissions due April 28, 2014), focus on the need for baseline cybersecurity for Federal contractors, comprehensive workforce training, consistent cybersecurity terminology for contracts, incorporation of cyber risk management into Federal enterprise risk management, development of more specific and standardized security controls for particular types of acquisitions, limiting purchases to certain sources for higher risk acquisitions, and

increasing Government accountability for cybersecurity throughout the development, acquisition, sustainment, and disposal lifecycles.

Savings

Networx is another IT program that has reported savings to Government. In 2013, the Networx program data shows \$678 million in savings to participating Government agencies. Agencies that use Networx save 30 to 60 percent over the cost of most services at commercial rates. Networx was designed to provide access to a broad range of domestic and international network services to Federal agencies at the lowest possible price. These contracts enable agencies to procure state of the art network solutions. The program consists of two sets of acquisition vehicles through which Federal agencies can obtain services. Networx Universal is designed to provide Federal agencies a full range of Network Services through AT&T, CenturyLink, and Verizon. Networx Enterprise is also designed to provide Federal agencies a range of Network Services with a special focus on access arrangements. The suppliers on Networx Enterprise include AT&T, CenturyLink, Level 3, Sprint, and Verizon.

Networx also offers managed security services through the Managed Trusted Internet Protocol Services (MTIPS) program, which complies with the Trusted Internet Connections (TIC) initiative. Managed Network Services (MNS) is another unique offering to agencies where suppliers provide overall management of an agency's infrastructure, including real-time proactive network monitoring, rapid troubleshooting and service restoration. Another option available to agencies is Networx Security Services, which offers Anti Virus Management, Intrusion Detection and Prevention, as well as other offerings to provide a complete data, voice, and security solution and protect agencies against constantly evolving security threats.

Another IT program that has shown savings is SmartBUY; its reported savings is \$2.6 billion since its start in 2003 with 25 agencies currently participating in the SmartBUY FSSI Commodity Team. The SmartBUY initiative was created to ensure that the Federal Government had the opportunity to leverage its buying power to achieve maximum cost savings and best quality for commodity software. SmartBUY is a government-wide FSSI for enterprise software licensing, featuring BPAs for commercial off the shelf software. This initiative streamlines the acquisition process and provides best priced, standards-compliant IT. SmartBUY does not mandate the use of a particular brand; rather, it mandates the use of the cost-effective common vehicle when an agency decides to purchase the software of a designated brand. SmartBUY agreements feature the latest DHS and National Institute of Standards and Technology (NIST) Security Content Automation Protocol (SCAP) validations, and Office of Management and Budget (OMB) standards. SmartBUY software BPAs include database management, Enterprise Content Management (ECM), Enterprise Resource Planning (ERP),

Geospatial Information Systems (GIS), Information Assurance (IA), and network management.

The Wireless FSSI program, designed to improve the procurement and management of wireless services across Government, is another initiative that has shown savings. Since agencies have begun using the Wireless FSSI BPAs an average savings of 24 percent compared to legacy rates has been reported. The Wireless FSSI enables agencies to implement cellular service plans and buy devices more effectively and efficiently through: unified acquisition that consolidates the number and variety of dispersed wireless contracts to reduce life-cycle management costs and drive better volume discounts, improved information management which simplifies service plan management and enables centralized access to standardized usage data to easily identify opportunities for cost savings, and finally a Wireless Center of Excellence leverages best practices and collaboration across agencies and the entire community of stakeholders to optimize performance and increase value.

Besides GSA's Alliant GWAC offering (mentioned above), GSA also has a series of Small Business GWAC programs. GSA put these targeted GWACs together to not only provide access to IT solutions such as systems design, software engineering, information assurance, and enterprise architecture solutions, but to also to help agencies meet their Small socioeconomic set-aside goals. GWACs save time and money through streamlined contracts that are pre-competed and offer a full range of contract types (all types of fixed-price, cost-reimbursement, labor-hour, and time-and-materials) to make agency procurement planning easier. Streamlined ordering procedures enable GWAC task orders to be issued in considerably less time than conventional open market procurements. Additionally, GSA can help determine whether agency requirements are within scope of a GWAC within two to five business days and can provide optional contracting, project management, and financial management expertise and support. The GWAC Pricing Tool has been developed to enable further savings by agencies by allowing agencies to see the prices paid on GSA GWACs and gives agencies resources to better budget, negotiate, and drive down prices. GSA's GWAC program shows a savings of 17 percent compared to list prices by having two or more bids per task order. GWACs average more than two bids. The small business GWAC offerings include 8(a) STARSII, Alliant Small Business, and VETS which focuses on service disabled veteran-owned small businesses.

b. Are there core capabilities within GSA that Congress could help strengthen?

GSA always welcomes the opportunity to partner with Congress in support of better delivering on our mission of providing the best value in real estate, acquisition, and technology solutions in support of government and the American people.

c. What do you see as the major reforms needed to get better results in the federal government's IT spending?

GSA welcomes continued oversight and input from Congress regarding GSA's role in Federal IT spending. GSA appreciates the efforts of the committee to assist in ensuring that a balanced approach to Government IT initiatives is pursued, one that considers innovation and efficiency as well as data security and fiscal governance.

2. As we discussed at the hearing, improving the management of federal real property is one of my top priorities.

a. What challenges are preventing the federal government from reducing its real estate footprint?

While the Administration has made great strides in reducing the real estate footprint, ongoing challenges still remain. One significant challenge is the upfront funding often required for agencies to more effectively utilize their space and downsize their footprint. Through initiatives like Total Workplace and more robust consideration of exchange authorities, GSA is making strides in our inventory. Additionally, the Fiscal Year 2014 Consolidated Appropriations Act, for the first time in four years, provided significant funding for the Federal Buildings Fund. These resources will allow us to pursue more cost-effective real estate solutions for partner agencies. For instance, GSA received \$70 million dollars in support of consolidation efforts in our inventory. Through this investment, GSA will save customer agencies \$17 million in annual rent payments, reduce the Federal footprint by 507,000 rentable square feet, and reduce the government's overall leasing costs by more than \$38 million. This represents an aggregate payback of 2 to 5 years depending on how you want to evaluate the investment. These are the types of common sense investments that we hope to do more of in FY15.

In addition to better management of our own inventory, GSA also helps agencies government-wide to dispose of their property. While some agencies have independent authority to conduct their own disposals (DoD, VA, etc), most rely on GSA for assistance in executing dispositions. Between 2009 and 2013, GSA disposed of over 600 properties. For FY14, as of the start of the 3rd quarter, GSA has disposed of an additional 159 properties.

b. How can Congress assist agencies in eliminating unneeded assets and making better use of existing space?

Congress can assist agencies by providing the resources to make smart, common-sense investments that will allow the government to get rid of unneeded space, as well as providing additional real estate tools and

incentives like, for example, streamlining disposal authorities or providing agencies with greater ability to retain some of the proceeds from asset disposals. To help address these challenges and provide more tools to agencies, the President proposed common-sense investments in the Federal inventory, as well as the creation of a Civilian Property Realignment Board, in his FY 2015 Budget.

c. What challenges do current budget scoring rules create for agencies with respect to the process for disposing of unneeded property?

The scoring rules as agreed to by OMB, CBO, and the House and Senate Budget Committees provide transparency into the long-term costs of contracting decisions within the government. By their nature, these rules have an appropriate and limiting effect on the types of contracts that can be entered into without having all the upfront resources necessary to complete that contract. The scoring rules do not have a direct impact on the disposal of unneeded property.

d. How can federal agencies effectively use public-private partnerships to redevelop underutilized property?

GSA has successfully repositioned historic assets through the use of available out-lease authorities. Through these out-leases, the government has worked with private sector partners in a way that results in the preservation/restoration of historic assets, while at the same time generating revenue for the Federal government and substantially reducing the government's operation and maintenance of these historic assets. GSA has also looked to utilize this expertise to support other agencies in these efforts.

GSA is also pursuing expanded use of our existing authorities, particularly around exchanges, to take underperforming properties and exchange them for new, highly efficient space in support of partner agencies.

Questions for the Record
Chairman Thomas R. Carper
Committee on Homeland Security and Governmental Affairs
Management Matters: Creating a 21st Century Government

March 12, 2014

**Questions from Sen. Carper for the Honorable Gene Dodaro, Comptroller General,
Government Accountability Office (GAO)**

- 1. GAO has included strategic human capital management on its High Risk List since 2001, and in the February 2013 update, GAO focused particularly on the government's effort to "close current and emerging critical skills gaps that are undermining agencies' ability to meet their vital missions." The President's management agenda also makes strategic human capital management a priority. What is your impression of quality and effectiveness of the efforts underway to identify and close critical skills gaps, and, more generally, to strategically manage the workforce to effectively carry out the government's business? In what respects do you believe we should do more of the same, and in what respects do you believe we should take new approaches if we are to be successful?**

The Office of Personnel Management (OPM), individual agencies, and the Congress have all taken important steps over the last few years that will better position the government to close current and emerging mission critical skills gaps, although additional actions will be needed going forward. For example, OPM and agencies have identified an initial set of government-wide and agency-specific mission critical skills gaps and are moving ahead with efforts to address them. OPM has also taken steps to improve the federal hiring process in order to strengthen the government's ability to compete with the private sector for filling entry-level positions.

Still, the government continues to face persistent skills gaps that are undermining agencies' effectiveness in key mission areas. For example, agencies are facing shortfalls in the fields of cybersecurity and acquisition management in part because of workforce planning difficulties.

Progress in addressing these skill gaps will depend on the extent to which OPM and agencies augment and sustain their planning, implementation, and monitoring efforts using a strategic approach that (1) involves top management, employees, and other

stakeholders; (2) identifies the critical skills and competencies needed to achieve current and future programmatic results; (3) develops strategies that are tailored to address skills gaps; (4) builds the internal capability needed to address administrative, training and other requirements important to support workforce planning strategies; and (5) includes plans to monitor and evaluate progress toward closing skills gaps and other human capital goals using a variety of appropriate metrics. Efforts are underway although their full effects will not be known for some time.

Our 2013 update to the High Risk list noted that OPM and agencies need to improve the approaches used to identify and address critical skills gaps in order to enhance their effectiveness.¹ These needed improvements include (1) identifying ways to document and assemble lessons learned, leading practices, and other useful information for addressing skill gaps into a readily-accessible clearinghouse or database so agencies can draw on one another's experiences and avoid duplicating efforts, and (2) reviewing the extent to which new capabilities are needed to give OPM and other agencies greater visibility over skills gaps government-wide. These new capabilities could assist in identifying which agencies may have surpluses of personnel in those positions and which agencies have gaps, as well as the adequacy of current mechanisms for facilitating the transfer of personnel from one agency to another to address those gaps as appropriate. OPM agreed that these were important areas for consideration.

More generally, progress has been made in key areas critical for effective strategic human capital management including leadership commitment, strategic human capital planning, talent management, and building a results oriented culture. In the area of leadership commitment, for example, the 2013 update to the High Risk list noted that the ongoing effort to close critical skill gaps is receiving the support of OPM and agency officials.² Specifically, agencies' chief human capital officers and their representatives were involved in forming a working group to identify and mitigate critical skills gaps and participated in its deliberations. Moreover, the President's Management Agenda included

¹GAO, *High-Risk Series: An Update*, GAO-13-283 (Washington, D.C.: Feb. 2013).

²GAO-13-283.

a goal to attract and retain a talented workforce, foster a culture of excellence, and invest in the Senior Executive Service.

However, we have found that additional efforts are needed in such areas as talent management and building a results oriented culture, among others. OPM and the Chief Human Capital Officers Council have key roles in ensuring agencies have the capabilities to effectively address current skills gaps and identify and respond to emerging gaps. With respect to talent management, we have identified actions federal agencies can take to recruit, develop, and retain personnel with the skills essential to maintaining a workforce that will help agencies meet their vital missions. In particular, it will be important for agencies to develop talent management strategies tailored to address gaps in the number, deployment, and alignment of all critical skills and competencies. These strategies include making better use of available personnel flexibilities from Congress and OPM. Moreover, as we noted in our 2014 report, almost 31 percent of all career permanent employees who were on board in September 2012 will be eligible to retire by September 2017.³ This wave of potential retirements coupled with current budget and long-term fiscal pressures could produce gaps in leadership and institutional knowledge, thus underscoring the importance of cost-effective approaches to talent management, and workforce and succession planning.

As another example where improvements are needed, the federal government annually spends millions of dollars on executive training programs administered by external providers in order to provide its senior leaders with the necessary skills to fulfill their agencies' missions. However, our recent report on executive training found that, among other things, agencies do not always have complete and reliable training cost data and some measure of how the training benefits the agency beyond just a measure of participant feedback.⁴ We recommended that OPM (1) establish interim milestones for meeting with agencies to address training data deficiencies and establish time frames for improving the reliability of agency data, (2) share information and examples of how agencies have evaluated the impact of executive training on agency mission and goals,

³ GAO, *Federal Workforce: Recent Trends in Federal Employment and Compensation*, GAO-14-215 (Washington, D.C.: Jan. 29, 2014).

⁴ GAO, *Human Capital: Agencies Should More Fully Evaluate the Costs and Benefits of Executive Training*, GAO-14-132 (Washington, D.C.: Jan. 31, 2014).

and (3) assess potential efficiencies identified by agencies for possible government-wide implementation. OPM concurred with our recommendations and has taken some initial steps to implement them.

Likewise, in the area of building a results oriented culture, improvements are needed to help agencies address the longstanding challenge they have faced in developing credible and effective performance management systems that can serve as a strategic tool. In our September 2013 report, we recommended that OPM, the Chief Human Capital Officers (CHCO) Council and some agencies take additional steps to improve the government-wide implementation of a new performance management framework.⁵ The framework, known as the Goals-Engagement-Accountability-Results (GEAR) framework, is a set of five high-level recommendations intended to create high-performing organizations that are aligned, accountable, and focused on results. Among other things, we recommended that the Director of OPM, in collaboration with the CHCO Council, define roles and responsibilities for OPM, the CHCO Council, and individual agencies, in such areas as updating a toolkit (as needed), that was intended to help additional agencies implement the GEAR framework, and disseminating information on GEAR more broadly. OPM agreed with our recommendations.

2. What do you see as the major reforms needed to get better results in the government's spending on IT?

Among the information technology (IT) reforms that can be implemented, there are four areas in which we have made numerous recommendations to help achieve better outcomes. Specifically, agencies need to (1) improve the accuracy of investment performance information on the Office of Management and Budget's (OMB) IT Dashboard, (2) hold TechStat sessions on at-risk investments, (3) continue to consolidate and optimize data centers, and (4) use PortfolioStat processes to identify and eliminate duplicative IT investments.

First, federal agencies need to need to continue to improve the accuracy of information on major investments found on the IT Dashboard—a public website that provides detailed information on approximately 700 major IT investments at 27 federal agencies—

⁵GAO, *Federal Employees: Opportunities Exist to Strengthen Performance Management Pilot*, GAO-13-755 (Washington, D.C.: Sept. 12, 2013).

to provide greater transparency and even more attention to the billions of dollars invested in troubled projects.

We have issued a series of reports highlighting deficiencies with the accuracy and reliability of the cost and schedule data reported on the Dashboard.⁶ While we have reported that the accuracy of these ratings have improved over time, more recently, in December 2013⁷ we found that agencies had removed investments from the Dashboard by reclassifying their investments—representing a troubling trend toward decreased transparency and accountability. For example, the Department of Energy reclassified several of its supercomputer investments from IT to facilities and the Department of Commerce decided to reclassify its satellite ground system investments. In addition, the public version of the Dashboard was not updated for 18 of the past 28 months because OMB does not update it as the President's budget request is being created. Collectively, these weaknesses make it difficult for Congress, OMB, and the general public to use the Dashboard to hold agencies accountable for results and performance. Among other things, we recommended that agencies appropriately categorize IT investments and that OMB make Dashboard information available independent of the budget process. OMB neither agreed nor disagreed with these recommendations. Six agencies generally agreed with the report or had no comments and two others did not agree, believing their categorizations were appropriate.

Second, agencies need to conduct additional TechStat sessions—face-to-face meetings led by either OMB or agency chief information officers (CIO) that are intended to terminate or turnaround IT investments that are failing or not producing results—to focus management attention on troubled IT investments. In 2013, we reported that OMB and selected agencies had held multiple TechStats, but that additional OMB oversight was needed to ensure that these face-to-face meetings intended to terminate or turnaround

⁶GAO, *IT Dashboard: Agencies are Managing Investment Risk, but Related Ratings Need to Be More Accurate and Available*, GAO-14-64 (Washington, D.C.: Dec. 12, 2013); *Information Technology Dashboard: Opportunities Exist to Improve Transparency and Oversight of Investment Risk at Select Agencies*, GAO-13-98 (Washington, D.C.: Oct. 16, 2012); *IT Dashboard: Accuracy Has Improved, and Additional Efforts Are Under Way to Better Inform Decision Making*, GAO-12-210 (Washington, D.C.: Nov. 7, 2011); *Information Technology: OMB Has Made Improvements to Its Dashboard, but Further Work Is Needed by Agencies and OMB to Ensure Data Accuracy*, GAO-11-262 (Washington, D.C.: Mar. 15, 2011); and *Information Technology: OMB's Dashboard Has Increased Transparency and Oversight, but Improvements Needed*, GAO-10-701 (Washington, D.C.: July 16, 2010).

⁷GAO-14-64.

IT investments were having the appropriate impact on underperforming projects.⁸ Additionally, we found that the number of TechStats held was relatively small compared to the current number of at-risk IT investments. Specifically, as of May 2013, of the 162 at-risk IT investments, only 30 (18.5 percent) had undergone an OMB-led TechStat. Further, of the 69 at-risk investments at four selected agencies⁹ as of May 2013, only 23 (33.3 percent) had undergone an OMB- or agency-led TechStat. Until OMB and agencies develop plans to address these underperforming investments, they will likely remain at risk. We recommended, among other things, that OMB require agencies to address high-risk investments. OMB generally agreed with this recommendation.

Third, OMB and agencies need to continue making progress in consolidating and optimizing federal data centers. Since 2011, we have issued a series of reports on the efforts of agencies to consolidate their data centers¹⁰ and have found that OMB has not determined initiative-wide cost savings, and that oversight of the initiative was not being performed in all key areas. Further, we reported that agencies had developed plans to consolidate data centers; however, these plans were incomplete and did not include best practices. Among other things, we recommended that OMB track and report on key performance measures, such as cost savings to date, improve the execution of important oversight responsibilities, and that agencies complete inventories and plans. OMB agreed with these two recommendations, and most agencies agreed with our recommendations to them.

Additionally, as part of ongoing follow-up work, we have determined that, while agencies had closed data centers, the number of federal data centers was significantly higher than previously estimated by OMB. Specifically, as of May 2013, agencies had reported closing 484 data centers by the end of April 2013, and were planning to close an additional 571 data centers—for a total of 1,055—by September 2014. However, as of

⁸GAO, *Information Technology: Additional Executive Review Sessions Needed to Address Troubled Projects*, GAO-13-524 (Washington, D.C.: June 13, 2013).

⁹The selected agencies were the Departments of Agriculture, Commerce, Homeland Security, and Health and Human Services.

¹⁰GAO, *Data Center Consolidation: Strengthened Oversight Needed to Achieve Cost Savings Goal*, GAO-13-378 (Washington, D.C.: Apr. 23, 2013); *Data Center Consolidation: Agencies Making Progress on Efforts, but Inventories and Plans Need to Be Completed*, GAO-12-742 (Washington, D.C.: July 19, 2012); and *Data Center Consolidation: Agencies Need to Complete Inventories and Plans to Achieve Expected Savings*, GAO-11-565 (Washington, D.C.: July 19, 2011).

July 2013, 22 of the 24 agencies participating in the initiative had collectively reported 6,836 data centers in their inventories—approximately 3,700 data centers more than OMB's previous estimate from December 2011. This dramatic increase in the count of data centers highlights the need for continued oversight of agencies' consolidation efforts.

Lastly, agencies need to continue to identify consolidation opportunities in their commodity IT investments.¹¹ We reported in November 2013¹² that OMB's PortfolioStat initiative, which is intended to, in part, reduce agencies' commodity IT spending and demonstrate how their IT investments align with the agency's mission and business functions, has the potential to save between \$5.8 and \$7.9 billion by fiscal year 2015, but that weaknesses existed in agencies' implementation of the initiative's requirements. For example, only 1 agency fully addressed the key requirements of OMB's initiative, and 12 agencies could not ensure the completeness of their commodity IT baseline.

In a March 2013 memorandum, OMB outlined several planned improvements to the PortfolioStat process; however, our report determined that OMB efforts could be strengthened to ensure agencies achieve identified cost savings, including addressing issues related to existing CIO authority at federal agencies, and publically reporting on agency-provided data. We recommended, among other things, that OMB require that agencies state what actions have been taken to ensure the completeness of their commodity IT baseline information, and identify any limitations with this information; require agencies to fully disclose limitations in CIOs' ability to exercise their authority; and that agencies take steps to improve their PortfolioStat implementation. OMB agreed with these recommendations, and responses from 20 of the agencies commenting on the report varied.¹³

¹¹According to OMB, commodity IT includes services such as IT infrastructure (data centers, networks, desktop computers and mobile devices); enterprise IT systems (e-mail, collaboration tools, identity and access management, security, and web infrastructure); and business systems (finance, human resources, and other administrative functions).

¹²GAO, *Information Technology: Additional OMB and Agency Actions are Needed to Achieve Portfolio Savings*, GAO-14-65 (Washington, D.C.: Nov. 6, 2013).

¹³Of the 20 agencies commenting on the report, 12 agreed with our recommendations directed to them, 4 disagreed or partially disagreed with our recommendations directed to them, and 4 provided additional clarifying information.

**MANAGEMENT MATTERS:
CREATING A 21ST CENTURY GOVERNMENT—
PART II, OUTSIDE VIEWS**

MONDAY, MARCH 31, 2014

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 3:02 p.m., in room SD-342, Dirksen Senate Office Building, Hon. Thomas R. Carper, Chairman of the Committee, presiding.

Present: Senators Carper and Coburn.

Chairman CARPER. The hearing will come to order. How are you all doing? Nice to see you all. Thanks for joining us today. Dr. Coburn needs to be on the floor in a few minutes and I have asked if he would like to go first. He has accepted. So he is going to go first and then I will give a short statement and then we will hear from you. Welcome, everybody. Thanks for joining us.

OPENING STATEMENT OF SENATOR COBURN

Senator COBURN. Thank you, Mr. Chairman, for being so gracious. I am going to the floor, in typical fashion, to address the issue with Sustainable Growth Rate (SGR), it is a problem that we keep treating symptoms of but never address the real problems, much about what our discussion is today.

The government cannot manage what it cannot measure. We all know that. Any discussion of the Administration's management initiative should start with the fact that we do not even have the full accounting of everything that we are doing. Only one agency actually knows all its programs. That is the Department of Education (ED). The rest do not.

That is why I, along with 9 of the 16 Members on this Committee, more than one-third, 37 at last count, of the U.S. Senate have introduced the Taxpayer's Right-To-Know Act. I have already had a conversation with Mr. Stier about some additions to that and some great ideas that we had before the hearing opened.

The first step in measuring the results of a government program is creating an inventory of all Federal programs. I am reminded—Robert Shea was here and helped us with the bill that Senator Carper and I, Senator McCain, and then-Senator Obama introduced creating the transparency that we now have, and we have seen the inadequacies of that. Although it is better than what we had before, we are not where we need to be.

So I thank you for that. The Taxpayer's Right-To-Know Act will create a concrete way to address the \$200 billion that the Government Accountability Office (GAO) has identified in duplication. It is a basic statute for every Federal program so we can know at a glance what we are doing. And then the question comes back to Congress why, what is the strategy, what are the tactics, what is the plan in terms of the government's response and actions?

Most of our witnesses here today have been on the front lines. Tom, I know you have, and I know Max has, I know Robert has. Dr. Metzenbaum, we welcome you as well. The Sunlight Foundation has been really out there in terms of making it apparent for what is not happening and being a voice to make sure that the American taxpayer actually gets to see where the money is spent and how it is spent and why it is spent.

So I really appreciate you all being here. I appreciate the Chairman, even though it is a Monday, it is hard to make a 3 o'clock pm meeting coming 1,400 miles, but glad to be here with you and I hope to return after I finish on the floor. Thank you very much.

Chairman CARPER. Thanks, Dr. Coburn.

OPENING STATEMENT OF CHAIRMAN CARPER

Chairman CARPER. Well, good afternoon. It is good to see you all. As you know, this is like Part 2. I think today is sort of like the beginning of the baseball season. I think of this as the second game of a day/night double-header. The sun is shining, the sky is blue. It almost feels like baseball. So it is not a bad analogy to use. But we are happy you are here.

One of the things, when I talk to folks about deficit reduction, I always talk about three things we have to do. One is we need to work on our entitlement programs to save the programs, to make sure they are going to be around for our kids and grandchildren, to see how we can save money in those programs, and to do so without savaging old people or poor people. That is No. 1.

Two, we need tax reform that I believe generates some revenues. The third thing we need to do, just look at everything we do and ask, how do we get a better result for less money? When I talk to folks about No. 2, that is tax reform that raises some revenues, people say to me, I do not mind paying some extra money in taxes. I just do not want you to waste my money. And actually, a lot of people feel that way, Democrats, Republicans, folks who are Independents and all.

So part of what we are doing today is figuring out not just how we can stop wasting money—any large organization wastes money—but also how can we do those things that are our responsibility more effectively and more efficiently. We are very happy to have your help in doing that.

This hearing follows up on a hearing we held in our Committee about 2 weeks ago to discuss the Administration's management agenda for the remainder of President Obama's second term, and at that hearing, Beth Cobert sat where you are sitting, Max. She is our Deputy Director for Management at the Office of Management and Budget (OMB).

I am just thinking, Dr. Metzenbaum, is that a position that you once held?

Ms. METZENBAUM. I was the Associate Director for Performance and Personnel Management reporting to that Deputy.

Chairman CARPER. I see. Thank you. Who did you report to at that time?

Ms. METZENBAUM. Jeff Zients.

Chairman CARPER. There you go. Whatever happened to him? I am just kidding. Jeff has been a busy boy.

At that hearing, Beth Cobert from OMB and Dan Tangherlini from General Services Administration (GSA) discussed the four pillars of the Administration's approach to good management. And they include effectiveness, efficiency in government, how to drive economic growth, how to recruit and train a talented and dedicated workforce. Those were their pillars, if you will. Gene Dodaro sat right where you are sitting, Mr. Lee, and he said—a fellow who was the Comptroller General at GAO, he also testified. I have seen him testify, gosh, dozens of times. He has never used a note, and I understand, in deference to him, you will not use notes today and just kind of ad lib it. Audibles, is that what we call it? Football audibles.

But Gene testified and suggested a few ways in which the Administration and Congress can work together to help achieve the goals of the management agenda and to save taxpayers some money in the long run. Our hearing was a discussion of the challenges facing our government agencies, along with what the President wants to fix, and how we here in Congress can be partners in promoting smarter, more efficient, more effective government. And those are familiar themes for those of us in the Congress, but especially in this Committee.

Something I often like to say is, that everything I do, I know I can do better. I think that is true of all of us. I think it is true of every Federal program, and part of our challenge is to figure out how to do things, some things better. Sadly, the challenges that we are facing are not new. For decades, both Democrats and Republican Administrations have struggled to correct the inefficiencies and make government work better for the American people. In some cases, we have succeeded. In a number of cases we have, but there is still plenty of work to do.

Government, though, fortunately, does not have to do it alone and struggle to improve efficiency. There are private groups who have made it their mission to advise and to help government agencies on how they can improve efficiency and spend taxpayer money more wisely.

Today we continue the conversation that we began earlier this month. This time, though, we are receiving input from folks who represent a few of these outside groups. Our witnesses want to see agencies and programs run well and achieve their missions efficiently, and they understand the value of an effective government. They have personal experience, in a number of cases, in government; have gathered opinions from others; have done studies; have looked deeply at how government works or does not work; and they can inform us as to what they have found and how we might base our actions accordingly.

I believe the non-profit and private sector groups like the ones that are represented here today can prove to be valuable partners

in advising our government on good management practices. I look forward to your thoughts on the Administration's management agenda and what they think, what you think are the best ways to tackle those four pillars that I mentioned earlier—effectiveness, efficiency, economic growth, people, and culture.

Effective government management has long been a priority for this Committee and I hope this hearing shines a spotlight on what management initiatives are being done well, which ones could be done better, and how we in Congress can help the Administration achieve this important goal for our country.

I like to quote a bunch of people and I do almost every hearing. I think today I want to quote President Truman. Actually, I am not going to quote him. I am going to paraphrase him. But he once said something to the effect: the only thing that is new under the sun are the things we never learned or forgot. Think about that.

We have to learn from the lessons of past government workers and Administrations so that we do not repeat their mistakes. We look forward to hearing from our witnesses on what you believe can be done to set our government management on a more responsible course. With that done, I am going to just briefly introduce our witnesses.

Our first witness, Max Stier—do you pronounce your name Stier?

Mr. STIER. The answer is yes, Stier.

Chairman CARPER. OK. There you go. Mr. Stier is President and Chief Executive Officer (CEO) of the Partnership for Public Service. The Partnership, as I understand it, seeks to revitalize the Federal Government by promoting ways to recruit and develop a new generation of public servants and to transform the way government works. Just a small undertaking.

Mr. STIER. Small.

Chairman CARPER. There you go. Prior to joining the Partnership, Mr. Stier served as General Counsel at the Department of Housing and Urban Development (HUD) and Special Counsel at the Justice Department (DOJ). I think you might have even been a Congressional staffer for a guy from Iowa with whom I used to serve on the House Banking Committee. That would be Jim Leach, an old friend.

Our second witness is Shelley Metzenbaum. Ms. Metzenbaum, are you any relationship to Howard Metzenbaum? Is he your great-grandfather?

Ms. METZENBAUM. Dr. Metzenbaum is my father.

Chairman CARPER. Is he your dad?

Ms. METZENBAUM. My dad.

Chairman CARPER. I was just kidding. I never served with him, but know him well. I went to Ohio State, so I know him well. You all are from Columbus, are you not?

Ms. METZENBAUM. Cleveland.

Chairman CARPER. Excuse me, Cleveland. Ms. Metzenbaum is President of The Volcker Alliance. The Volcker Alliance seeks to address the challenge of implementing public policy, to rebuild public trust in government, and to bring about sustained government improvement.

Prior to joining The Volcker Alliance in 2013, as we discussed earlier, Ms. Metzenbaum was the Associate Director for Perform-

ance and Personnel Management at the Office of Management and Budget, reporting to Jeff Zients. In that role, she was responsible for implementing President Obama's approach to improving the performance of Federal programs.

Our next witness is Robert Shea, as in Shea Stadium. Is that right? OK. Mr. Shea is a Principal at Grant Thornton, a leading international accounting and advisory firm. As leader of the—this is a quote—cost, budget, and performance management team—right? Is that the name? Mr. Shea works with Federal agencies to help them meet financial management requirements, improve organizational performance, manage cost, and effectively implement information technology (IT) investments.

Before joining Grant Thornton, Mr. Shea was the Associate Director for Administration and Government Performance at the Office of Management and Budget during the George W. Bush Administration. What years was that?

Mr. SHEA. 2002 to 2008.

Chairman CARPER. OK. And who did you report to then?

Mr. SHEA. Clay Johnson.

Chairman CARPER. Sure. Mr. Shea also served on the staff of the Governmental Affairs Committee under Senator Fred Thompson. From what years to what years?

Mr. SHEA. Now, come on. 1999 to 2002.

Chairman CARPER. All right, good.

Mr. SHEA. And I see a bunch of friends behind you.

Chairman CARPER. On which side?

Mr. SHEA. Both sides.

Chairman CARPER. Both sides. That is good.

Our final witness is Tom Lee—I like to call him Tommy Lee—Director of Sunlight Labs at the Sunlight Foundation. What a cool name for a foundation. The Sunlight Foundation seeks to dramatically expand access to government information in order to create accountability of public officials. It also seeks to make public information available online. Matters, as we heard, Dr. Coburn is very much interested in and he has let me be his partner from time to time as well.

Sunlight Labs is an open source community supported by the Sunlight Foundation that is dedicated to using technology and convert government data to user friendly applications. Prior to leading Sunlight Labs, Mr. Lee led the Sunlight Foundation's—is it called Subsidy Scope, Subsidy Scope Project?

Mr. LEE. Yes, that is right.

Chairman CARPER. Which, I understand, explored the level of Federal involvement in various sectors of the economy.

We thank all of you for being here today. Our colleagues are coming in from around the country, as we speak, and we start voting at 5:30. So we will be finished up before that happens, but I expect a few of our colleagues will be coming in and joining us for parts of this hearing. So I am going to be able to hear everything you say. I am the lucky one. And Dr. Coburn is going to come back when he finishes on the floor. Again, welcome.

Mr. Stier you are welcome to proceed. We are happy you are here. You have 7 minutes for your statement. If you go much be-

yond that, I will have to rein you in. But if you can stick within that, that would be great. Thank you very much. Please proceed.

**TESTIMONY OF MAX STIER,¹ PRESIDENT AND CHIEF
EXECUTIVE OFFICER, PARTNERSHIP FOR PUBLIC SERVICE**

Mr. STIER. Thank you, Mr. Chairman. It is a pleasure being here and I think it is very important for you to be holding this second hearing. This is a time of great need in the government, and Congress and this Committee have a critical role to play. I think we are all applauding the work that Beth Cobert is doing at OMB and want to help her succeed. She needs the help.

I was trying to find out if I could come up with nine of these for the baseball analogy, but I only have eight. It is not the David Letterman top 10 list, so I have eight. I have eight fields.

Chairman CARPER. It is like a rain-shortened game.

Mr. STIER. Exactly. A rain-shortened game, there we go. I have eight fields and some specific ideas in each of them that I would love for this Committee to be focused on. I am going to begin with an issue that I know is near and dear to your heart, which is reducing the number of vacancies at the senior levels of government. You have described it, quite aptly, as Swiss cheese——

Chairman CARPER. Swiss cheese.

Mr. STIER. It is a real problem. You cannot run the government effectively if the top people are not there, particularly in the management positions. I have four quick ideas on this.

First we need to focus more on how governments start through Presidential transitions. Every Administration gets behind the eight ball. They do not get their people in quickly enough. Clay Johnson talks about this in a very compelling way. Every new Administration should have their top 100 people in by May 1 and the top 400 by the August recess of their first year. It is possible, but it requires a different expectation and different level of cooperation between an incoming Administration and Congress. That should be the goal and we should be focusing on that right now to make it happen.

Second, we need to build off the success of S. 679, which reduced the number of Senate-confirmed positions. There are still more positions that currently require Senate confirmation that can be reduced. Frankly, we should be changing at least the management positions from Senate-confirmed political spots to career positions or term appointments with a performance contract. There is no need for these positions to be held by political appointees. Turnover and vacancies in these positions create great disruption, and does not enable the long-term management work that needs to be done inside agencies.

Third, we need to ensure that——

Chairman CARPER. You are two for two.

Mr. STIER. All right. We need to ensure the appointees are well-prepared. Today it is misery. Attention is focused entirely on the selection and not on the preparation of nominees. In particular, the ever-lengthening time between nomination and confirmation is not being used effectively. New nominees believe they cannot do any-

¹ The prepared statement of Mr. Stier appears in the Appendix on page 157.

thing because the Senate would be offended, when, in fact, that is the time when they should actually be preparing to do their jobs well. This Committee and the Senate, in general, could be signaling to nominees that they actually should be getting ready to do the job well. That would have a huge impact in making sure they start effectively, which does not happen today.

Fourth, we need to see some improvements in the Presidential transition process. Senator Kaufman championed legislation that made real improvements in this area. The Committee should hold a hearing here to look at those improvements and see what more can be done, because there are some additional things that need to be done which Senator Kaufman supports.

Chairman CARPER. Senator Ted Kaufman?

Mr. STIER. Correct.

Chairman CARPER. One of the best 2-year Senators we have ever had.

Mr. STIER. Yes, amazing guy.

Chairman CARPER. We just had a lovely luncheon at the University of Delaware.

Mr. STIER. All right. So I am going to run through—

Chairman CARPER. No. We will stop your time right here.

Mr. STIER. OK. First, we have to focus on execution and engage the private sector. Obviously we see this again and again, for example with healthcare.gov. Too much focus is on the ideas and not in getting this stuff done and that is not working well. Congress has a big role to play in this too. The number of hours spent in oversight hearings has been going down for years.

It is not just legislation passing, it is oversight. We are not seeing Congress focusing on programs before there is a problem, and we need to see more of that. For example, the number of hours spent in hearing was 5,397 in the 104th Congress and only 3,758 in the 111th. We need more oversight hearings.

Second, we need to engage the private sector more effectively. One concrete idea we have is to create a public/private sector talent exchange that would be akin to the Intergovernmental Personnel Act (IPA) program that exists right now for non-profits and State and local government. That would be a really great way of getting government people into the private sector to learn about best practices and vice versa.

Finally, you might even consider detailing Hill staff to Federal agencies, because, frankly, there is not enough information among the Hill staff about what is actually happening inside agencies, and that would be a big deal.

Third, we have to treat government as a single integrated enterprise. We recently released a report on this and it is something that Senator Coburn and I were just talking about. I think his legislation is really important. What it is missing, however, is an integrated strategic plan for what government is trying to achieve.

We need to know what is happening with Federal programs, but we also need to see how those programs are tied to a core set of objectives across government, and that needs to be a Presidential priority and something that everybody understands. It is a common sense notion that Dave Walker proposed many years ago, that you cannot do anything without that plan. We also need to see the

President driving that through the President's Management Council (PMC).

Fourth, we need to celebrate what is working in government. No organization I have ever seen gets better if all you do is find things that are wrong with it. That is what we have today. We have Inspectors General (IGs), we have Congressional oversight and the media always finding things that are wrong.

The way an organization gets better is not only to find things that are wrong, but also to find out what is right, celebrate that and make that something to be replicated. This Committee, could be pushing in that direction.

We do something called the Service to America Medals, the Sammies, which identifies great, incredibly impactful stories. One winner was responsible for treating amputees from the military that are able to return to the battlefield, another was the gentleman who eradicated polio in India. The stories go on and on and on. Last year, one winner was the Deputy Assistant Secretary for Energy at the Air Force, who saved a billion dollars in fuel costs on an annual basis. There are wonderful stories out there that no one sees, and therefore, no one can replicate.

We need to bring those things to light. It is a bright spot analysis that, again, any business person will tell you is a way to drive positive change. It does not happen in government, but we need more of that. I hope you will come to the Sammies celebration. We have the Sammies finalist announcement breakfast on May 6 and then the gala on September 22.

Fifth, we need to hold agency leaders accountable for managing their people well, and that is not happening right now. In our Best Place to Work in the Federal Government rankings we see employee morale really plummeting. What is interesting to me, though, is despite morale plummeting overall, a quarter of in government agencies are seeing increases in morale, such as the National Aeronautics and Space Administration (NASA), and it is all about leadership. That is what the data tells us. We need to make sure we are investing in those leaders and holding them accountable.

This Committee can be asking questions about employee morale to the top agency leadership. Additionally, one very concrete thing that the Committee could do would be to pass a law requiring agencies to include employee morale in the performance plans for both the political and career leadership. That is what Ray LaHood did at the Department of Transportation (DOT). He built employee morale measures into the performance evaluation system for senior executives and saw the biggest change at the Department of Transportation subsequently of any major agency over 2 years. It really is quite impressive.

We also need this data faster. It is critically important, but it is currently taking 5 or 6 months to be released, and we need to get it out much quicker.

Sixth, we need to develop the senior career leaders in government as well as the political leaders. We are not seeing career service leaders treated as an enterprise asset. To that, one of the things we think should happen is legislation to reform the senior executive service (SES). An element of that reform would be to require

that candidates, in order to join the SES, should have worked in multiple sectors, multiple levels of government, or multiple agencies.

Today the SES is a very insular group, and it needs an influx of the kind of skills and talents necessary if our government is to truly operate as an enterprise. We also need to make sure that development and training investments are taking place for this critical group.

Seventh, we need a score card for political leaders. Robert talks about that in his testimony and he is absolutely right. The only elements that I think I would highlight further from what he has to say is that we need this to be a Presidential priority. President Bush got that right. We need specific metrics, especially the people metrics, to be included like quality of hire and employee engagement.

Lastly, we need a reform of the whole civil service system. It is 60 to 100 years old, depending on what piece of it that you actually touch, and it is desperately broken. We are putting out a report this Wednesday that presents a new framework for modernizing the civil service. At minimum, we need to have this conversation.

The last time there was any real reform at all, there were 12 days of hearings. That is what we need to see here and now. Major parts of the civil service are truly, desperately broken. The Federal compensation system right now, pays all Federal employees at the same set level. It makes no sense. Government pays a physicist the same as a physical therapist. That is not how any other organization works.

The system worked terrifically well when it was first built, but nothing in our society has stayed the same in the last 60 to 100 years and government cannot either. We need to revisit it. Federal employees need it to be revisited. The people in government are wonderful, but they are not being supported by the system that is supposed to help them.

Thank you very much. I apologize for going over, but it is a pleasure being here to testify.

Chairman CARPER. I am glad we went over. Thanks. You have given us a lot to think about, and hopefully to do. Thank you.

Mr. STIER. Thank you.

Chairman CARPER. Dr. Metzenbaum, welcome again. Thank you. Please proceed.

**TESTIMONY OF SHELLEY H. METZENBAUM, PH.D.,¹
PRESIDENT, THE VOLCKER ALLIANCE**

Ms. METZENBAUM. Thank you, Mr. Chairman. I greatly appreciate the opportunity to testify today.

Government management matters and it needs more attention, and that is why last year, building on a long and distinguished career in the public and private sector, former Federal Reserve Board (FRB) Chairman Paul Volcker decided it was time to launch the Volcker Alliance. The Alliance, where I am now proud to be the President, aims to rekindle intellectual, political, practical, and

¹ The prepared statement of Ms. Metzenbaum appears in the Appendix on page 164.

academic interest in implementation issues in the nuts and bolts of government, and these days the electrons too.

I appreciate the opportunity to be here today to talk about the priorities for improving Federal management. Because performance measurement and management is the core way that the best businesses, and increasingly the best government organizations, achieve better outcomes and a higher return on investment. I will devote much of my testimony to lessons learned from the implementation of the Government Performance and Results Act (GPRA) of 1993 and its modernization by Congress and the Administration in 2010. As requested, I will also share my thoughts on other management issues.

Federal performance improvement efforts have made noteworthy progress over the years. The 1993 law got agencies to set goals, measure performance, and report annually. Progress was made doing these things, but there was a critical missing element. Too few agencies were actually using the performance data to find ways to improve. Nor were enough agencies using their goals to communicate priorities, refine those priorities with the public and Congress, and enlist assistance and expertise.

Lessons learned over the last two decades in the United States and elsewhere at every level of government made it clear what change was needed. Agencies needed to spend more time using goals and data to inform and drive improvement not just completing mandated reports. Improvement in what? In outcomes, in productivity, in people's experience with government, and accountability. Otherwise, goals, measurement, and reporting are wasteful. If goals and measurement are not useful, they are wasteful.

Research identified a few key practices that make goals and measurement transformative by encouraging discovery, innovation, and best practice diffusion. The Obama Administration policies and the law Congress passed in 2010 required these key additional practices. Agency heads set a few specific, ambitious, and outcome-focused priority goals that their organizations must try to accomplish within 2 years without new funding, without new budget or without new legislation.

Three new leadership responsibilities were established. The Deputy Secretary, or equivalent, needs to function as the chief operating officer (COO). The chief operating officer, needs to designate a goal leader accountable for achieving progress on each priority goal. The Deputy Secretary is expected to run data-driven reviews no less than every quarter.

The performance improvement officer (PIO) supports the chief operating officer helping to drive performance improvement across the agency and with other agencies. The PIO also works with the Performance Improvement Council to strengthen the Federal Government's capacity in analytics and understanding of how to use the data to improve, to reduce problems, but also to find what is working and spread success.

Priority goals need to be measured in more frequent and timely ways to make the information actionable. And then key information about priority goals must be updated at least quarterly on a central website, Performance.gov. The site includes the key information about what agencies are trying to accomplish, their goals,

why they are trying to accomplish those goals, how they plan to accomplish each goal, the strategy, the logic and evidence of why each strategy is the right one, the progress made every quarter, and plans for next steps, especially if the progress is not as good as expected.

Finally, I think we have learned it is important to get accountability expectations right. The emphasis needs to be on significant improvement in all areas, not achieving 100 percent of the targets. And it needs to be on understanding and tackling impediments to progress.

Some targets should be exceeded, but others will be missed, and an agency that meets all of its stretch goals should be as much cause for concern as one that does not meet them all because targets that are too timid just do not stimulate innovation, the kind of innovation needed to deliver more bang for the buck.

Research by the Government Accountability Office and others found that when the additional practices are used they are remarkably useful. Trends for the Administration priority goals reinforce that finding. Adult smoking is down, exports are up, and the lowest performing schools are beginning to turn around.

Greater attention to electronic transactions is improving customer experience and cutting costs. Visa processing times are down, as are patent backlogs. All of this information is posted on Performance.gov. That is not to suggest, however, that everything is rosy. There is still plenty of room for improvement on mission-focused performance goals and plenty of missed opportunities in mission support areas.

One area needing attention is the Federal recruitment and hiring process. It is seriously limping and Federal internship programs are just plain broken. Congress can help here by making it easier for one agency to recruit on behalf of others. Greater agility is needed in procurement and it is time for renewed attention to past performance in contract award decisions.

Federal grants need to be more agile and performance focused, and agencies that work with State and local governments to accomplish their objectives need to play a stronger role doing knowledge management and knowledge diffusion. The Administration's push on benchmarking for the mission support functions is fantastic, and benchmarking should be expanded, not just to the mission support functions, but across common program types such as for benefits processing.

The Volcker Alliance, I should say, stands ready to work with Congress and the Federal Government to find ways to manage smarter and with greater accountability. We are also ready, in some situations, to lead the charge, to catalyze new thinking, and to convene partnerships to leverage change.

I appreciate the opportunity to be here today and am happy to answer questions. Thank you.

Chairman CARPER. Thank you so much for that testimony, for joining us. Mr. Shea, please proceed.

**TESTIMONY OF ROBERT JOHNSTON SHEA,¹ PRINCIPAL,
GLOBAL PUBLIC SECTOR, GRANT THORTON, LLP**

Mr. SHEA. Thank you, Mr. Chairman. I would be remiss not to point out that I am here, in part, in my capacity as Chairman of the Board and a Fellow of the National Academy of Public Administration.

Chairman CARPER. Oh, really?

Mr. SHEA. Max and Shelley are also Fellows and represent the deep bench of Administration expertise that you can draw on for all of your oversight challenges.

Chairman CARPER. Thank you.

Mr. SHEA. I am grateful for the opportunity to speak to you today. I applaud your interest in finding areas in which the Committee's focused oversight efforts would have the greatest impact on the government's performance and efficiency. My experience in working to improve the government's operations comes, in part, from my time as a staff member on this great Committee in the late 1990s.

With considerable help from GAO and IGs, the Committee documented what many agreed were the greatest management challenges. Report after report showed the extent of the challenges. Agencies took months to produce audited financial statements and could not report the extent of their improper payments.

Recruiting and retaining the right workforce was difficult for agencies. Information technology projects were often over-budget and off-schedule. The acquisition system did not support the timely and objective procurement of goods and services. Performance was not as clearly and transparently reported as it should be.

To accelerate progress in these areas, the President's Management Council at the time developed a score card, which Max talked about, with indicators that measured the degree to which agency efforts resolved these challenges. Agencies were rated red, yellow, or green based on their progress. For each of the major areas of the score card, specific accomplishments were measured.

What was new at the time was the fact that agency progress was updated and reported publicly every quarter. These updates followed a rigorous review by OMB staff of evidence provided by agencies. I cannot emphasize enough just how critical transparency was to how seriously agency leadership took these management improvement initiatives. Knowing their scores were going to be reported publicly made the very top leadership at agencies work very hard to improve in each of these areas.

Government agencies made real progress during this period, though I do not think it would be fair to suggest agency challenges related to finance, human capital, information technology, acquisition, and performance have been resolved entirely. I do not have to tell this Committee that.

But because those measures are not being reported publicly today, it is difficult to show objectively how agencies are performing in these areas of common concern. The management improvement initiatives described in the President's Fiscal Year (FY)

¹The prepared statement of Mr. Shea appears in the Appendix on page 177.

budget offer a renewed opportunity to address many of the government's persistent management challenges.

They fall neatly into the framework described in the President's budget, and many of the initiatives promise genuine transformation of agency and program operations with real gains in terms of performance and efficiency. But without clear metrics to gauge progress, it will be difficult to determine whether or not actual improvement is being achieved.

The good news is that this Committee's oversight efforts can move agencies to address common challenges so long as some key ingredients are in place. First and foremost are clear goals. In whatever area you choose, it is imperative you have a common understanding of how progress will be measured.

Then, I am afraid, the Committee's Members and staff will have to provide consistent, regular attention to ensure progress is sustained. My written testimony provides a few good examples that offer a roadmap, but the bottom line is, with bipartisan consensus on a couple of these priorities, some big problems could be tackled by the Committee's efforts.

I am grateful for the opportunity to offer some suggestions on where you might direct that focus. GAO's inventory of government overlap and duplication and the accompanying recommendations are a good place to start. If there is a subset of those 104 unimplemented recommendations on which you and the Administration agree, I would expect the Committee's efforts to produce real tangible benefit.

GAO's biennial high risk list provides an excellent oversight target as well. At GAO's suggestion, the National Academy of Public Administration is convening agency officials and OMB to share ways agencies have tackled high risk areas in the past and gotten off the list. With focus on their common approaches, agencies can take to these thorny issues.

With focused oversight, some agencies or programs on that list might get the nudge they need to address issues raised by GAO and get off the list.

The Administration's evidence agenda is an area in which the Committee's focus could also pay big dividends. Experience shows that when evaluated using rigorous methodologies, programs are often found not to be as effective as originally thought at solving whatever problem they are designed to address. But over the past decade, the Executive Branch has renewed its effort to study programs and build a body of evidence of what programs or program approaches work best.

The Administration has launched a number of pilot programs and demonstrations to help determine which strategies lead to better results from taxpayer investments, allowing Federal, State, and local governments to identify the most promising strategies that warrant expansion.

We know far too little about which programs work best today. If we can move just a fraction of the government's investments into more proven approaches, the results could be dramatic. While we know little about how government programs perform, we know even less about what they cost. Under current policy, agencies are supposed to report annually what it costs to achieve their goals.

A number of other laws and rules dictate the extent to which agencies measure and report the cost of their operations. Too few agencies take these efforts seriously when a study of the cost of programs would invariably uncover waste that can be eliminated. In a time of increased budget austerity, I can think of no better way to find savings than a considered look at the cost of government agencies and their programs.

A lot of information needed to form the basis of a program cost adjustment is included in the Taxpayers Right-To-Know Act, which I know is under consideration by the Committee. More important than the reporting of information required by the law would be the use of it to find ways to eliminate waste and reduce costs in program administration.

Wherever the Committee focuses its considerable oversight, success will depend on how clear the goals are and whether you are willing to invest the repeated, persistent attention that similar endeavors have required in the past. When the Committee has set goals in collaboration with the Administration, measurable progress was made. It is a recipe for success that can produce results. Thank you, Mr. Chairman.

Chairman CARPER. Thank you, sir. Mr. Lee.

**TESTIMONY OF TOM LEE,¹ DIRECTOR, SUNLIGHT LABS, THE
SUNLIGHT FOUNDATION**

Mr. LEE. Mr. Chairman, thank you for the opportunity to appear before you today to speak about Federal program management and transparency. As you mentioned, I am the Director of Sunlight Labs, the technical arm of the Sunlight Foundation. Sunlight is a non-profit that is dedicated to using the power of the Internet to catalyze greater government openness and transparency. We take inspiration from Justice Brandeis's famous adage that sunlight is the best of disinfectants.

Our work on technology and accountability has naturally led to a focus on data and its capacity for improving how government functions. We collect, improve, and redistribute a wide variety of types of government data, serving millions of citizens, journalists, watchdogs, and researchers. In recent years, spending data has become a particular focus for us, most notably through our analyses of USASpending.gov data quality.

We believe that data about government spending operations are among the most essential forms of information that a government can publish. This information is prerequisite to any meaningful analytic effort to maximize efficiency or improve the value received for taxpayer dollars. But its utility extends beyond these important questions. Spending data is one of the clearest measures that citizens have of their government's priorities and effectiveness. It serves as an important antidote to appeals based solely on rhetoric.

We believe that the current Administration deserves credit both for its commitment to open data and for its efforts to reduce duplication and waste. In particular, the effort that began with the Federal IT Dashboard to reduce unproductive IT spending is worthy of praise. Agency-led IT projects are particularly prone to failure and

¹ The prepared statement of Mr. Lee appears in the Appendix on page 182.

in need of stronger oversight. At their worst, such efforts represent complex, large appropriation engineering projects that are implemented by contractors and supervised by agency staff that do not have experience managing technical undertakings. The capabilities and incentives within this dynamic create a high potential for waste. The Administration's stated commitment to a stronger, centralized supervisory role in such projects is welcome.

We are similarly pleased to see this Committee considering the Taxpayers Right-To-Know Act. This legislation promises to expand the information available to both the public and oversight bodies, and to do so in a way that minimizes the associated disclosure burden. We believe that the existing programmatic description process conducted in connection to the Catalog of Federal Domestic Assistance (CFDA), could be expanded to include the data newly mandated by this Act. The CFDA already includes some information about programs salary costs, statutory authorizations, and accomplishments. Making this reporting more granular, uniform, and complete promises to substantially increase the usefulness of the CFDA. And because this reporting system already exists, we are optimistic that the costs associated with the Taxpayer Right-To-Know Act will be minimal.

However, we do wish to urge the Committee to consider revisions to the Act that would enhance its clarity and effectiveness. In particular, the difficulty of getting meaningful data from the jobs reporting requirements of the American Recovery and Reinvestment Act (ARRA) should serve to underscore the need for imposing specific, clear methodology upon those reporting such data. For example, the language in the bill calling for accounts of the number of full-time Federal employees rather than the number of full-time equivalents (FTE) is a potential source of imprecision that could result in data that is difficult or impossible to use effectively.

Similarly, the bill's definition of services specifies criterion for inclusion based upon direct benefits to recipients. In the past, a similar provision in the Federal Funding, Accountability, and Transparency Act has, in Sunlight's opinion, been used inappropriately by agencies to claim that certain activities, like the National School Lunch Program, are completely exempt from spending disclosure requirements.

Finally, although it is admittedly beyond the scope of the bill as currently written, we urge the Committee to consider addressing agencies' programmatic contract spending. The data quality problems of USASpending.gov, the system's failure to associate disclosed contract data with specific programs, and the opacity and complexity of the Federal procurement system can make it surprisingly difficult to determine how agencies are using private firms to pursue their missions. Consider, for example, the initial difficulty in identifying Conseillers en Gestion et Informatique (CGI) Federal as the vendor behind HealthCare.gov's troubled launch. Yet, anyone who spends time in Washington is sure to encounter contractors who perform the same work as agency personnel, but at much higher hourly rates. In some cases, these arrangements may be well-justified, but in others, they may be the product of agency attempts to ignore personnel hiring and compensation standards, to avoid transparency requirements, or simply to obfuscate the degree

of investment the program represents. Collecting and publishing data about the major contracts associated with each program, their size and duration, and relevant employees' average compensation rates would enable oversight bodies to monitor and control program spending far more effectively.

But although we believe these alterations could significantly strengthen the bill, we wish to emphasize our support for the kind of transparency efforts that the Taxpayer Right-To-Know Act represents. Recent attention to Federal spending data, notably including the DATA Act, promises to provide Americans with a more accurate accounting of their government's activities, priorities, and options. We believe that this will empower policy that is more efficient, equitable, and cost-effective.

We welcome your attention to these matters and encourage you to continue to engage with transparency issues as they relate to the Committee's work. Thank you for the opportunity to speak today and I look forward to answering any questions you might have.

Chairman CARPER. Thank you, Mr. Lee.

There is a time, not that long ago, when Dr. Coburn and I were not the Chair or Ranking Member of the full Committee, this full Committee, but we took turns leading a Subcommittee called Financial Management. It was a pretty active Subcommittee, if I do say so, and we were less interested in the Homeland Security piece of this Committee's jurisdiction and more interested in the Governmental Affairs side.

We are still interested in both of them, but we still continue to have a strong interest in the Governmental Affairs side. When we were leading that smaller Subcommittee, I used to say, as we struggle to help make sure that we got better results for less money in this government, better results for the same amount of money, I would opine on the need to gain leverage in terms of what we were trying to do.

We figured out that if we were able to be on the same page with OMB and the President's management objective, that would help. We figured out if we could somehow tie our wagons together with the Government Accountability Office, particularly with their high risk list that they put out at the beginning of every 2 years, the beginning of the Congress, that that might help.

Dr. Coburn has been very much involved with the IGs to try to make sure we have Inspectors General in place. We figured that that could help. And the idea to work with a whole lot of good government groups, non-profits that really focus on how do we get better results for less money. And we have been trying to do this for a while. In some cases, with some success. You mentioned a few of those.

And what I want to do is ask each of you to think about what the other three have said. Mr. Stier, you went through quickly—your eight innings—a pretty good laundry list there. But I am just going to ask you, think about what Mr. Lee has said, Mr. Shea, and Dr. Metzenbaum has said and pick one or two pieces that you think are just—as I listen to a radio station up in Philadelphia called WXPB, every week they pick a song that is a “gotta hear” song.

But something that we really need to hear. And it could be something you said, but especially something one or both of them have said. Please, go first.

Mr. STIER. I like this exercise. It is a good one. So I will just start with Shelley and the thing that she said that most strikes home that I think the Committee would be well-advised to pay attention to is her point about the broken hiring process, in particular, around student internships.

The Federal Government today has 7 percent of folks under the age of 30. In the general workforce, that number is 23 percent. We do not have a government that is generationally diverse and we have a government that is fundamentally not taking the best talent coming out of universities. That is an area that I think is vital to the long-term future of our country and our government and that is a place where this Committee could do some real good.

Shelley mentioned one particular idea that I will highlight and that is simply common sense, which is to allow agencies to use each other's work to find the best talent. So in the case, for example, of cyber professionals, if the Department of Homeland Security (DHS) goes through an incredibly difficult hiring process, and finds 10 amazing candidates and only needs five of them, no other agency can hire the remaining five off their list. They have to start from scratch. That makes no sense.

Robert, the idea that I would focus on is his point again about the score card. We need that transparency. We need that public face to that transparency in order to drive action in government. Everyone is overwhelmed in the government. I believe that the reason why our Best Places to Work rankings have traction is because it is transparent, it is a front-page, Washington Post story, it is easy for people to understand.

We need that kind of clarity around management issues and it needs to be something for which this Committee and the President holds the top agency leadership accountable. I think President Bush got that right and I think it is a powerful statement from Robert.

And then to Tom's point, I concur entirely on the importance of data transparency. I think his ideas on the Taxpayers Right-To-Know Act are spot on. And again, there are some things we would add, too.

Chairman CARPER. All right. Thanks. Dr. Metzenbaum, please, same question.

Ms. METZENBAUM. What a great question. Thank you so much, Mr. Chairman. Let me start with Max's suggestion in terms of the SES and making sure that the SES of the future have broader experience and that we make it easier to get people from outside government into government and place a higher priority on internal rotations to bring ideas into the workplace. We need to do more than give it serious consideration. We need to figure out how to make it happen.

Let me also talk about Robert's suggestion that the Committee and the Administration work together to find a few priority areas for serious attention and serious followup, whether those areas are the high risk list, or the duplication problems, or other issues, pick

ones that are priorities for Congress, ones you really want to give consistent attention to. That will make a huge difference.

This Committee could start to look at progress on the priority goals that agencies have set, or the cross agency priority goals that the Administration has set, or some of the duplication issues that have been identified by GAO. You cannot do them all, but I would urge the Committee to pick a few priorities, and follow up regularly to learn about progress on them and how problems are being addressed.

As Robert suggested, consistent followup makes all the difference in the world. Clear goals measured to see how you are doing and then consistent followup. If the Congress is attentive to that and works with the Administration on a few priority issues where there is agreement about their importance, it can be very powerful and—will be transformative.

And then finally, on what Tom Lee was talking about in terms of sunlight, “sunlight is the best disinfectant,” as Justice Brandeis said, I also quoted Brandeis in my written testimony. His quote about the States being the laboratories of democracy—

Chairman CARPER. Is that his saying, too?

Ms. METZENBAUM. That is also, yes.

Chairman CARPER. That is pretty good.

Ms. METZENBAUM. It is a great one.

Chairman CARPER. I use those quite a bit. Did he ever say anything else, do you know? There has to be a third one out there. I am sure he said a lot.

Ms. METZENBAUM. I know that he did. If you take Tom’s comment about disinfectant and apply it to data transparency contributes to better data because people challenge data if it looks wrong. In addition, data transparency can help prevent corruption and fraud. Beyond simple transparency, data can be used to learn from States as laboratories of democracy. If there is no scientist studying what is going on in the laboratory, then how are you going to learn what works better?

One of the challenges and one of the questions the Committee could ask is: is there a scientist? What is going on in the lab? Whether a Federal agency or perhaps Federal agencies that are supporting others in academia or elsewhere.

Robert was talking in terms of evidence-based. How are you learning what works, and it is not just what works, but what works better? First we have to figure out what works and then we need to figure out how to do it better and at a lower cost. If Congress asks these questions, that promises positive returns.

Chairman CARPER. Before I turn to Mr. Shea, I want to quote a former Vice Chairman of the Federal Reserve who is now back teaching economics at Princeton. His name is Alan Blinder. And we had, a year or two ago, a hearing before the Finance Committee and we had four very smart people testifying on deficit reduction, what we needed to do.

Dr. Blinder said in his testimony that health care costs were killing us. Unless we figured out how to get our arms around those, for the government and the private sector as well, it is going to do us in. And when we came time to ask questions, I said, Dr. Blinder,

you say that health care costs are killing us, the 800-pound gorilla in the room. I agree. What should we do about it?

He sat there and finally he said, I am not an expert in this field. I am not a health economist. What I would do is find out what works, do more of that. That is all he said. And then I said, you mean find out what does not work and do less of that? And he said, Yes. And there is huge wisdom in that.

Ms. METZENBAUM. There are fantastic examples of reductions in costs, the sort of 80/20 rule in health care where in some plans 20 percent of the folks in the emergency room create 80 percent of the costs, and you have had some turn-arounds in some locations. There is just such opportunity here.

I think there is almost consensus among your witnesses here that there is huge potential. You have to look at the data. You have to use it to figure out how to do better.

Chairman CARPER. Thank you. Mr. Shea. Did any of your colleagues here at the witness table, any of them make any sense to you today or anything that you would like to endorse?

Mr. SHEA. Yes. This is not an area in which you will find a great deal of disagreement, so we better pick something we disagree with in the next round. I am going to cheat a little bit and pick up on a common theme in Shelley's and Max's testimonies, which is around civil service reform.

Grant Thornton surveys all of the C-level Executives (CxO) communities on a regular basis, and invariably, they all raise as a, if not the major, challenge the workforce. None of them can recruit and retain the people they need to accomplish their mission. And unless we get comprehensive civil service reform, I do not think that challenge will be diminished in the near future.

So I would have to say it is a major priority and there is wide consensus that it is the major management challenge.

Chairman CARPER. Senator Voinovich, former Governor Voinovich, as you know, he spent several years, he and Senator Akaka, working on this, focusing on this, and when he got ready to retire, he felt that they had made some progress. I do not know if that is a view that you all share, but if you feel like pointing to some things that they tried to accomplish and maybe were unable to attain that you would have us go back and work on some more, that would be helpful.

Mr. SHEA. We were, during the Bush Administration, able to accomplish reform of the SES, reform of DHS's personnel system, and the Department of Defense's (DOD). The latter two were repealed, which is a huge shame because simply getting those enacted was a huge challenge and implementation was not perfect, to say the least. But it was the beginning of the road to reform. So we are back at square one in both of those cases.

But what Max's organization will talk about Wednesday is probably going to be a good opening salvo and a new start to that comprehensive reform.

Chairman CARPER. OK.

Mr. SHEA. But if I can talk about Tom's point, contract data and the lack of the quality in it as reported on USASpending.gov or elsewhere, at the Federal Procurement Data System (FPDS), name it, would provide much greater transparency. When we were imple-

menting USASpending, we got assurances from the procurement community that all the data they were going to provide was completely pristine, and experience shows that not to have been the case.

A little investment there will go a long way to improving the quality of that data and getting the results that transparency is intended to produce.

Chairman CARPER. Thank you. Mr. Lee.

Mr. LEE. Well, I think I am similarly in agreement with the people on this panel. To highlight two things in particular, I think that Dr. Metzenbaum's and Mr. Stier's points about civil service reform are completely correct. From Sunlight's perspective, we mostly look at these issues as they relate to the government's use of technology. We have been very pleased, for instance, to have a number of former colleagues become Presidential Innovation Fellows.

But it is absolutely true that that program and most of the other most innovative programs that bring people with technical skills into government have to be done, at the moment, through unusual hiring vehicles that step outside of the normal processes for bringing people in because it is simply too onerous to get high quality technical talent.

This applies not only to the Presidential Innovation Fellowship program, but also the 18F initiative at GSA, and any number of other attempts to bring up-to-date technical skills into government. It is essentially impossible given the formal hiring processes.

To speak a little bit, also, to Dr. Metzenbaum's point about the need for the usefulness reports, we agree completely, and that is one of the reasons why we feel that the data quality in USASpending.gov is such an urgent issue. I did not focus on it in my remarks today, but Sunlight has performed, for several years now, a data quality analysis comparing the totals in the Catalog of Federal Domestic Assistance—they are listed by yearly obligations per program—with the rolled up totals from the award and assistance side of USASpending.

The numbers are off by as much as a trillion dollars every year, and this excludes all contracts. In short, the data in USASpending is unusably bad for any serious analysis. And this data is what is powering GAO reports. It is what powered, until its discontinuation, the Consolidated Federal Fund report, which Congress relied upon for making decisions about which parts of the government to sustain or not.

So until an effort is made to correct the data there, of course it is true that the reports will not be useful and will be wasteful. We are optimistic, though, that potential exists for correcting that problem. In particular the DATA Act, we feel, represents a meaningful effort toward that end.

To your point, Mr. Chairman, about trying to work in harmony with OMB and other portions of the Administration as much as possible, that is certainly wise, but we have been dismayed to see OMB's efforts, in particular, to alter the DATA Act and substantially weaken it. So I think that it will be necessary—

Chairman CARPER. How do you explain their views on the DATA Act? If somebody is watching this hearing on television and has no idea what the DATA Act is, just explain it in a couple sentences.

Mr. LEE. Sure.

Chairman CARPER. Just for somebody who has never thought about the DATA Act could actually say, Oh, I get it.

Mr. LEE. So the systems that power USASpending are exposed to the public through the Federal Funding, Accountability, and Transparency Act. But as I mentioned, that has led to serious data quality problems. The DATA Act tries to move responsibility for those systems to Treasury, in part, and to establish oversight bodies that will create a more uniform reporting process and be able to impose greater levels of quality.

I believe that the current state of the Act is maybe up in the air a little bit, but Sunlight is optimistic that in its strongest form, creating an independent body and moving the oversight of the USASpending system to Treasury, which, of course, maintains other substantial financial oversight systems, could result in useful, analyzable public spending data.

Chairman CARPER. OK. Something we talked about, hiring folks, whether they happen to be Cabinet Secretaries or Deputy Secretaries, Under Secretaries, thanks to the efforts of Senator Alexander and Senator Schumer, we no longer require quite as many Presidential nominees or appointees to be confirmed. Did we make enough progress? No, I do not think so. Did we make some progress? Yes, we did. My hope is we will come back in a year or so and do more of that.

I do not care whether George W. Bush was the President or Barack Obama is the President, in the last decade we have seen, in both Administrations, Executive Branch Swiss cheese. We make it too hard for folks who have been nominated to get a fair hearing and up or down vote, and it was that way when George W. Bush was President and it certainly has been that way in this Administration. I think it is even worse in this Administration.

It has led to the change in the rules, which have not been well-received, but at the end of the day, some day Democrats, we are going to be in the Minority. We will have a Republican President, and we have to figure out how to work together to get things done, regardless of who is in the Majority and in the White House.

I am not going to ask you for political advice, but every entity I have ever been a part of, whether it was in State government, in the Navy, here in the Federal Government—my wife is a career employee with DuPont, a big company, and I have watched her being involved with schools, colleges, and universities, and the key for almost all of them to succeed is leadership.

It is almost always the key. If you have strong leadership—lead a company, a school, a college, university, or an agency, I will show you an agency or a school or an entity that is on its way to being more effective in everything that they do. We just make it too hard.

We were having a hearing with our Subcommittee, Federal Financial Management Subcommittee. We are going through the GAO high risk list and one of the issues that we focused on was the cost of a weapon system with overrun for a major weapon system. I think the cost has gone from \$200 billion per year to about \$400 billion per year.

So we held a hearing on it. We had the person in the Air Force, the No. 2 person for acquisition in the Air Force, and we said: Talk

to us about how long you have been in your job, what kind of turnover you got from your predecessor. And this is in the Bush Administration, George W. Bush. He said, my position had been vacant for 18 months before I got there. There had been an acting person in place, but not a Senate-confirmed person.

And I said, Well, what kind of turnover do you get in personnel. He said, My predecessor was gone. And I said, Tell me about your direct reports. And he said, There are six direct reports, but only two are filled. That was in George W. Bush's Administration.

Go about 3 or 4 years forward, a new Administration, and the person who was before us, before our Committee, same job, new Administration, what kind of turnover do you get? Well, my job had been vacant for 18 months and we had an acting person in place.

I mean, no wonder we have this huge weapon system cost overrun. And we had Jane Holl Lute, who was Deputy Secretary of Homeland Security, very able person, she said to us when she and Janet Napolitano took over the leadership of that agency, she said she called Gene Dodaro who runs GAO, said, Gene, I am going to come and sit on your doorstep and meet with you and go through your high risk list until we have addressed the things you say need to be fixed. She said, We want to get off your high risk list.

And lo and behold, they did, especially with respect to—not just auditable, but gaining an unqualified audit. That is something we earn every year. I think they are determined with the new leadership of Jeh Johnson and Alejandro Mayorkas. They are determined to learn again what lessons are there for other Deputy Secretaries or Secretaries, out of that experience with Homeland Security, trying to get off the high risk list and actually succeeding, particularly with respect to DOD, which basically has been on the high risk list forever, and especially for Federal lack of appropriate financial management.

They deny that they have improper payments. They are not even auditable. I think the Marines are trying to get close, but it is just a very slow process. Give us some advice on how a huge agency when they asked Willy Sutton, they said, Why do you rob banks? He said, that is where the money is. Well, that is where the money is. So give us some advice on DOD in this regard, please.

Mr. STIER. I think you said it already, which is that the vacancies are a killer. You are not going to see substantial change in any organization when you do not have long-term leadership that can be held accountable for the changes that need to take place. There are a lot of things that could be changed with respect to the appointments process, such as reducing the number of people that are going through the pipe.

Our number one recommendation would be around the management positions. For example, at DHS you have an Under Secretary for Management, and I think Rafael Borrás did a terrific job and is responsible for some amazing things. On the bright spot piece, it is so important to find things that work, but that is not happening.

DHS has, to my knowledge, the only integrated management platform that includes data on all management issues across the department, and Rafael Borrás put it together. It is fabulous. Every other agency that I know of in government looks at it and

says that they would like the same thing. We need to see that brought up and repeated across government.

At DOD, there are no leaders around long enough to be able to pay attention to these management issues over time, even though the challenges are bigger and more complex. DOD needs another Deputy who is a career employee focused on management issues or a term appointment Deputy with a performance contract.

I think you are always going to be behind the eight ball if you do not have people in place for the necessary time to focus on the change efforts that require years to push through. They have to be at a senior level enough that they can maintain that continuous pressure over time.

You should not need Senate confirmation for those positions. You have ample opportunity to control the organization through policy or the senior leadership, the Secretaries. To have an infrastructure that could, from Administration to Administration, keep senior leaders eye on the ball on the mission support issues would be a fundamentally valuable and important change.

GAO is a great example. One of the key reasons why I think it is a phenomenally well-managed organization is the leader of that organization has a 15-year term. When you have that kind of time-frame, they own the organization. Right now, political appointees are primarily rewarded for crisis management and policy development, not for the long-term health of their organization. They are gone before anyone can hold them accountable.

My primary point of advice then, is to see that not only at DOD, but across government, senior management positions are made up of career employees on performance contracts.

The only resistance you ever hear on this is, will they be part of the senior team? Will they be at the table when critical decisions are made? There is a legitimate question to be asked along those lines. There are tradeoffs here, but the present system is clearly not working. I believe we should be open to approaching this another way.

Chairman CARPER. Well, actually, there has not been just a vapor, I think an effort to create chief management officer, if you will, within the Department of Defense.

Mr. STIER. Right.

Chairman CARPER. A Deputy Secretary or Under Secretary.

Mr. SHEA. There is that position today.

Chairman CARPER. But I seem to recall, when we tried to do something legislatively, it was opposed by the Department of Defense. I think Gordon England said that he wanted to be—as a Deputy Secretary, he should be dual-hatted to be the Deputy Secretary and also to be, if you will, the Secretary—Deputy Secretary for Management.

Mr. STIER. Yes, that is correct. He did oppose it. The problem there however, is that you do not want good management to be dependent on the person. Gordon England was someone who fundamentally cared about management issues. He was very good at that, but that is not always the norm. I think you need a system in place that deals with the variety of personalities that come into the agency.

By and large, the people selected on the political side are not going to be focused on management. They are going to be pulled and drawn into the politics and the policy. Management is going to lose out. There may be a person in place, but they are not at a senior enough level to drive the management focus necessary to run the agency effectively.

Chairman CARPER. If you look at a couple of positions in the Federal Government, one is the Director of the Census and we have gone to a situation so that the Census Director is appointed for a period of 5 years, and I think the Commissioner of IRS is a similar kind of situation.

Mr. STIER. We need more of that.

Chairman CARPER. All right. Find out what works, do more of that.

Ms. METZENBAUM. I would argue, though, we should not do one-size-fits-all. We need to recognize that we want a combination of political and career leaders. So if you think about a Rafael Borrás at DHS or David Kappos at the Patent and Trade organization, you have had some phenomenal managers who have come in through the political process and you want to allow that kind of leadership turnover to get fresh ideas and new skills informed by experience in other places.

You want that kind of infusion of new ideas, new energy, that kind of leadership. At the same time, one of the challenges is getting the Senior Executive Service to step up to the plate and realize they are the Senior Executive Service and that they have authority. They are the senior career officials, and especially when there are vacancies, they should be leading. They can be leading, using clear goals, frequent measurement, and frequent data rich reviews.

I will go back to where Robert was: kinds of leaders that need to come both from the political and the executive career leadership, ideally in partnership with Congress. He mentioned the security clearance process, which got Robert intense oversight on a regular basis, really driving change. There are huge opportunities for gains if this happens.

You cannot do it in every area, but pick a few areas. There will be some give and take, but if Congress and the Administration, regardless of party, work together and political appointees and career executives use goals, use measurement, use data on a regular basis and are transparent about it, you can get some real improvement.

Chairman CARPER. All right. Mr. Shea.

Mr. SHEA. Yes, sir. The meeting that I discussed that the National Academy of Public Administration will host, will involve OMB, GAO, and agency leadership responsible for each of those high risk areas, and it will help agencies understand the factors GAO uses to judge what is on the list and what comes off the list.

It is not hard. I mean, they are difficult issues, but the basic ingredients are there: Clear leadership focus, a plan that has been implemented to some degree and you can see evidence of the impact of the implementation of those actions.

OMB and GAO have an unheralded, but multi-Administration process whereby they meet regularly and assess progress on these plans to remediate high risk areas. What GAO hopes will happen

in the near future is a reinvigoration of that process. So you can nudge some areas that have not really made sufficient progress forward a little bit faster.

Chairman CARPER. I remember when Leon Panetta was nominated to be Secretary of Defense. He and I were colleagues together in the House and I have a huge admiration for him. And he came by to chat with me, actually, a week or so after he had been confirmed. And we talked about GAO, we talked about the high risk list, and he knew what I was talking about. But we focused on Federal financial management within DOD.

I do not know that he had given it much thought. My guess is when the President interviewed him about doing this job, my guess is they did not talk at all about improper payments and how to get off that GAO high risk list. But he and I talked about it that day. And he went back to the Pentagon and said, We are going to get serious about this.

And he has been succeeded by Chuck Hagel, another one of our colleagues here, again, whom I have huge respect for, and we had a similar kind of conversation. He has made it clear that these and all the other things that he is expected to do, fight wars and put down insurrections and support our allies, that the Department of Defense is going to become a better financial steward, better fiscal steward of their operation.

And it looks like the Marines are actually leading the way. We have—

Mr. SHEA. As their proud auditor, we are side by side trying to get them there.

Chairman CARPER. That is great, that is good. It is an all-hands-on-deck moment. In the Navy, we used to say, for things that are really hard to do, it is like turning an aircraft carrier. You have the people on the bridge that are trying to figure out which way to turn the carrier. And then you have the folks in the engine room. You have to have the whole team to be able to change the course of an aircraft carrier.

For the Department of Defense, these areas, financial management, it is turning an aircraft carrier. If we all do it together, we could actually get it done. One of the things I think we are going to do—Dr. Coburn and I have talked a little bit about this and our staffs—and that is to have a hearing—it would be a hearing where we have Army, Navy, Air Force, Marines, and maybe the Coast Guard. Why the Coast Guard? Well, they have actually done this.

And what I am interested in doing is engendering a little bit of friendly inter-service rivalry. Say, Well, if the Coast Guard could do this, and the Marines are making real progress, how about the three of you? The Navy, how about the Army, how about the Air Force? So we are going to try that as well.

When we have witnesses and we are doing oversight hearings, sometimes I will say to them at the end, What advice would you have for us in the Legislative Branch on this Committee, what should we be doing to support your initiatives, some of the kind of issues we are talking about here today? And oftentimes they say more oversight or they will say, put a spotlight not just on what is done poorly or ineffectively, but just as importantly, what is being done well.

I have never held “gotcha” hearings. I do not like a “gotcha” hearing. That is not the kind of way I think we should govern. Although every now and then, we want to get some people. But I think sometimes we overlook the fact that we need to put a spotlight on the behavior and positively enforce that. Mr. Lee, do you want to say anything on this front, please?

Mr. LEE. Sure. Just briefly. To the extent that these issues do produce leadership vacuums, I think it is important to recognize that responsibility often then flows to vendors who are left to implement policy and planning. And I think that it would be useful to have additional attention paid to this particular problem through whatever means are available.

Some that particularly occur to me are avoiding vendor lock-in, however possible. That is often something—

Chairman CARPER. What do you mean by vendor lock-in? Just take a minute and describe it.

Mr. LEE. Sure. The use of a proprietary technology may make it more difficult to switch to a different vendor in the future. It may not be technology, in fact. It could be any number of aspects of how the project is undertaken. By not factoring in those costs during the initial planning process, it is easier to bring things under budget that could ultimately be much more expensive and lead to cycles of dependency with a sub-par contractor solution that need to be avoided.

I would say that the use of open technologies is one way of addressing that problem, at least for IT spending. And secondarily, or perhaps more importantly, though, I would say that attention to the procurement system more broadly and the procurement officer workforce is important. I think it is well-known that that workforce is aging and not being replaced at an adequate rate, in part because the complexity of the Federal Acquisition Regulation (FAR) makes it very difficult to bring new people in. It is exacerbated further by revolving door problems that are endemic to this kind of work, particularly at agencies that do a lot of procurement. We would welcome more attention to any of these issues.

Chairman CARPER. We have had people before our Committee talk about the aging of the Federal workforce, and I forget what the percentages are, but however high a percentage of Federal public service, civil service, that are within 5 years of retirement age.

Mr. SHEA. About 30 percent by 2016 will be eligible to retire.

Chairman CARPER. They will not all retire, but a lot of them will, and I like to say—this is Albert Einstein speaking through me—in adversity lies opportunity. And there is certainly adversity here, but there is actually great opportunity to bring in some of the new talent, the fresh talent that I think, Dr. Metzenbaum, you and others have been talking about here. Go ahead, please.

Ms. METZENBAUM. I was just going to say, in the Employee Viewpoint Survey, actually 25 percent of Federal employees have actually indicated their intent to retire. Happily, Congress passed the phased retirement law, which creates a great opportunity, especially if you pair the phased retirement program with internship programs, because there is a requirement for mentoring.

If agencies start to manage this much more intentionally, there is a huge opportunity right now to maintain institutional knowl-

edge and institutional memory, but bring in new ways of thinking and new, fresh talents. So I am very hopeful that Congress will ask agencies about their use of phased retirement to make sure they are paying serious attention to this opportunity.

Chairman CARPER. All right. Thank you. Can we talk about strategic sourcing for a little bit? I do not know if that is something you all have focused on. I do not think it has been mentioned here. If it was, I missed it. We have covered a lot of ground. Gene Dodaro, Beth Cobert, and Dan Tangherlini were here, as I said earlier, just, gosh, within weeks. And we talked a fair amount about strategic sourcing.

The example sometimes we use is, rather than every Federal agency go out and buying their toilet paper on their own, or their computers on their own, why do we not figure out what we can buy together. It is not just hardware or software, but other things as well. Talk to us about strategic sourcing. Where are you seeing it done well outside the government, or maybe inside the government, and what are some lessons we can take from outside of the Federal Government or, literally, from within our own ranks? What is being done smartly? Please.

Mr. SHEA. Well, I think clearly the General Services Administration is leading the way on strategic sourcing. They are the ones that have the greatest insight into the way the government overall is procuring goods and services. I would also suggest that the Administration's effort to move agency financial systems to shared service is a little strategic sourcing of a different color. I think it also shows enormous promise.

Chairman CARPER. Talk some more about that, please. Just drill down on that.

Mr. SHEA. So the Administration has suggested that before an agency procures a new financial system, it will have to consider migrating that to an existing agency which offers the same services to other agencies, so that there is not duplication of financial system procurements. And it promises to not only—

Chairman CARPER. Give us an example of that you might be aware of.

Mr. SHEA. So right now, the Department of Housing and Urban Development is in need of a new financial system. This includes the system for monitoring the finances of the agency, preparing it for audit, any number of financial activities. And before it will purchase a new system and implement a new large financial information technology system, it will need to strongly consider, and likely migrate, to another agency, say the Department of Treasury, which already provides financial system services to other agencies.

They have implemented the system before, they have customers, they are responding to other agency customers, and that is a way to ensure a successful implementation at a lower cost. Your overlap in duplication work is instructive here. So you have documented the enormous overlap in duplication in government programs, not all necessarily bad, but it is something to pay attention to.

Imagine all those entities procuring financial systems or services or procuring pencils or procuring the really excellent consulting services of Grant Thornton.

Chairman CARPER. I have heard about them.

Mr. SHEA. All of this overlap in duplication is multiplied exponentially when you are buying goods and services. So you cannot push hard enough on reducing the amount in this way.

Ms. METZENBAUM. I want to speak to three opportunities related to strategic sourcing. First, it is great that the Administration has a priority goal on strategic sourcing and is committed to expanding it. I know the Department of Commerce in the first term made enormous progress in this area, just around computer purchases.

Chairman CARPER. Why do you think that happened?

Ms. METZENBAUM. Leaders at Commerce first asked the question, "How many of these similar things are we buying?" They then looked at how many similar things they were buying and the different prices they were paying, even within one department. Commerce saw real opportunity for savings and, in fact, so did a vendor who, it is my understanding, came and offered a better price, even before Commerce could complete its analysis.

And so, with commodity purchases, the things that every agency is buying, it makes sense to look at the pricing and to ask, "What is our opportunity, both to compare prices, but also to get scale discounts from the vendors themselves?" There is huge opportunity here and it is excellent to see the Administration pushing in that direction.

I want to pick up on what Robert said about shared services, where one part of the Federal Government sells services to another. The Administration has a benchmarking priority goal where, it is going to compare costs and quality so that government agencies have a basis for choosing from whom to buy. If you can pick the best at providing, for example, payroll services and things like that.

This is a huge opportunity, incredibly important. I know Dan Tangherlini is one of the goal leaders for this priority goal. I am very optimistic about seeing significant progress in this area.

I do want to raise the third area. People are not commodities, so you do not want to strategic source commodities, but it would be great if Congress gave legislative authority for the Federal Government to recruit across agencies. Imagine how that would help in areas such as cybersecurity, as Max said.

There are lots of various economists, et cetera, where, why should you expect every agency to get expertise in figuring out the best schools providing the experts in those areas, or the best way to recruit. Why not allow some specialization and then let one agency do all the recruitment, hiring.

If an agency gets 50 great people and only needs ten, why not let the other agencies hire the other 40? I would urge Congressional action in this area. Even though this proposal does not score, it would actually be a great saver to agencies.

Chairman CARPER. Yes, sir.

Mr. STIER. I think as everyone has said, Beth and Dan are doing a great job on this issue. There is a lot of opportunity there. You asked about the Department of Commerce. It comes back to your point about leadership. Becky Blank and Scott Quehl, then the Acting Deputy Secretary and the Assistant Secretary for Management, were terrific. They saved hundreds of millions of dollars by getting

ahead on this issue. It was because they had leaders that understood the possibilities.

That opportunity is there and I think you have some terrific people who will push on that. I will point out, that there is a common theme in this and in shared services which is treating the government as a single enterprise. We have done a report on that that I would like to submit for the record.¹

I think there is enormous opportunity, whether it is on the talent issues or on the purchasing of goods or on shared services. Imagining the government as an integrated enterprise offers fabulous opportunities for greater efficiency and effectiveness, not only in terms of mission support, but also on mission delivery activities. I think we have a lot of opportunities if we pursue that.

I know you are interested in customer service issues. I think one important thing to marry to these efforts is a real focus on creating customer service within government. We think about the government providing important services to the public, which it does, but it also provides services to internal customers, both in mission support and mission delivery.

There are some really interesting things that have been done at the Department of Health and Human Services (HHS) by Ned Holland, as well as Josh Gotbaum at the Pension Benefit Guaranty Corporation, to really measure and make transparent intergovernmental customer service. I hope this Committee can eventually look at ways to encourage government to view itself as responsible to the internal customer because I think that would truly transform the way government works.

If you want government to act as an enterprise, you will run up against that sense of removal from the customer. So building that in at the front end would be very important.

Chairman CARPER. All right. Thanks. Mr. Lee.

Mr. LEE. I would just add that from the shared services perspective, we think that there is tremendous opportunity there. There are, of course, sometimes tradeoffs to centralization and having a single solution for a wide variety of users, but there is the opportunity, as has been pointed out, for specialization and expertise to be developed.

One example that comes to mind in our work is Regulations.gov, which is a system that is used voluntarily by agencies. Not all of them participate. My understanding is this is, in part, because of a funding dynamic whereby the cost of maintaining separate systems is lower than an individual agency's contribution would be, even though that contribution, if they participated, would lower the overall system costs and cost taxpayers less money.

So there is a need for some sort of centralizing effort to look at these problems, and the incentives that are facing individual agencies and think through how we might be able to operate more efficiently.

And I would just add that we are cheered. I have already mentioned the 18F initiative at GSA, but I think that is emblematic of the kind of approach to shared services we would like to see in the future.

¹ The report referenced by Mr. Stier appears in the Appendix on page 185.

Chairman CARPER. OK. I want to talk a little bit about workforce. We have been talking around it and sometimes directly to it, but let us come at it more directly, if we could. The folks on our staffs have heard me say this probably more than they want to remember, but I love to recount listening to the National Public Radio (NPR) on my way to the train station in Delaware. I go home most nights.

On my way to catch the train, I usually listen to NPR, News at the Top of the Hour. It is around 7. And about a year ago they talked about an international study that was done asking the question of thousands of people, What do you like about your work? What is it that you like about your work? What brings you satisfaction?

And some people liked getting paid. Some people liked benefits. Some people liked pensions, vacations, or sick time, health care. Some people liked the folks they worked with. Some people liked the environment in which they worked. But the thing that most people identified as the thing they liked about their work is they felt that what they were doing was important and they were making progress.

Again, what they were doing was important and they felt they were making progress. The work that we do here for the American people is hugely important. And we do make some pretty good progress from time to time. But we can always do better.

But in thinking about employee morale, intuitively I think, Well, if I were working for somebody, I would like to know they are going to be around as my leader for not just a couple of weeks or a couple of months, but we are not going to have a revolving door, I will get somebody new and we will have an acting instead of confirmed, another acting for a year or more.

But it would be nice to have some continuity in leadership. We talked a little bit about that. Actually, if I were a rank-and-file Federal employee, I would like not to be called a nameless, faceless bureaucrat on an ongoing basis, and maybe not made fun of, but to be derogatory, I think, in the way that we think of most Federal employees that are hard-working, dedicated people and we do not give them that kind of respect. Sometimes people just want to know that they are valued and we need to do a better job of that.

I think it might have been you, Mr. Stier, but I think you may have noted in your testimony the partnership's recent rankings of best places to work in the Federal Government. Is that what you call it, best places to work in the Federal Government?

Mr. STIER. Yes.

Chairman CARPER. Nearly a quarter of Federal organizations improved their scores despite challenges such as furloughs, pay freezes, and anti-government rhetoric, some of which I just alluded to. What do you think has been some of the key factors that have enabled these agencies to improve morale even in difficult times? That is a two-part question. What are some of the key factors that enable these agencies to improve morale even in difficult times?

And second, I am going to ask you, and the other witnesses, once he has responded, if you all would react to what he has to say and correct him or add to what he said. Take it away, please, Mr. Stier.

Mr. STIER. Thank you and I look forward to the amendments. The most important differential is that the agency leadership cared and demonstrated that by focusing on the issue of employee engagement. You see that in the agencies——

Chairman CARPER. Focusing on the issue?

Mr. STIER. Employee engagement. I alluded to the fact that when Secretary LaHood got to the Department of Transportation, it was the bottom ranked agency. He thought that the agency could do better and he focused on trying to improve engagement by listening to his workforce. They did a lot of great things. There is a website they created called IdeaHub where they brought in ideas from employees and had the employees vote on those ideas.

What really mattered was that Secretary LaHood said that engagement is important. He acted as if it was important. The most critical thing that he did was to require the performance plans of the agency's senior career and political people, to include an element in their performance evaluation focused on employee engagement.

That is something that the committee could require and drive here from Congress to get real focus on this issue. What is attractive about engagement is that there are many different kinds of actions that could be undertaken to improve. What matters is that it is viewed as being important, and there is a way of demonstrating to leadership that this is something the Secretary cares about. This is how you will be evaluated. That is true both on the political and career side.

It is learning from their colleagues. There are a number of agencies that have done amazing things. For example, Shelley mentioned Dave Kappos, the head of the Patent and Trademark Office (PTO). They went from 177 out of 240 in our rankings in 2007, to this past year when they were No. 1 amongst 300 subcomponents in government.

Most importantly, they saw incredible improvement in their outcomes for the public at the same time. They had a drop of 20 percent in the patent backlog and improvements in quality of the patent application reviews. Dave Kappos, who is now on the Partnership's Board would say that he unlocked the potential of the workforce.

What did he do? He invited the labor unions in, and had real conversations about actually engaging them, even though there was a highly contentious relationship before his arrival. The head of the Patent Examiners Union cried when he left. He also focused on the SES, a point that Shelley made, as well. That is the career leadership that is going to be there amidst all the turnover. He built a cadre at PTO that was focused on the whole organization and invested in them.

I think it would be terrific if this Committee brought in Dave Kappos and Charlie Bolden from NASA and heard from those agencies that did substantial impressive things, and then bring in DHS leadership and leaders from other agencies to have that conversation, because there is a lot to be learned across government that would be highly impactful.

The Homeland Security Committee in the House has had hearings every year in the last 4 years around employee morale at

DHS, and I believe that has had impact. The leadership has paid attention because you pay attention. If you pay attention for example, by requiring agencies to build employee engagement into their senior leadership evaluation process, that would have a huge impact.

Chairman CARPER. Good. Thank you. Others, please. You want to react or respond to anything that Max has said? Again, workforce morale.

Ms. METZENBAUM. I think there is huge opportunity here. During the first term of the Administration, I know we put a lot of effort when I was in government to getting the employee viewpoint survey data to make it possible for the agencies to slice and dice, to gain insights that would help them improve. The survey is now not being run just once every 2 years, but every year.

And as Max points out, getting the data back to the agencies sooner in a format that they can actually analyze by sub-unit, by organizational unit. So I think asking the Office of Personnel Management how they are going to try and help and support this, building this as a tool for the Federal Government and for the leadership makes a huge difference.

It would be great for Congress to look at the data and ask questions, in a constructive way, possibly even benchmarking across similar kinds of organizations. So some organizations in the Federal Government for example are production operations, and it would use the data in a very different way than those that are policy shops, things like that.

But there is huge opportunity here and if Congress looks especially where there are problems as Max is suggesting, where there is progress in benchmarked and similar types of organizations. And then, asking those who are not making the progress, "What is your next step here?"

Chairman CARPER. All right. Mr. Lee.

Mr. LEE. I am not sure I can speak to the issues as comprehensively as my fellow witnesses, but I can offer the perspective of someone who has watched a lot of talented people, and particularly talented young people, turn away from government service because of the challenges that it represents. This is a particular problem in the technology industry, as you might imagine, where the workforce is still tilted toward a younger demographic composition.

But as an advisor to teams from organizations like Code for America, which puts young people in municipal government for a year doing technological work. I have seen this first-hand. I would say that there are two factors that are worth emphasizing beyond the broader point that you have made, Mr. Chairman, about the need to feel you are making progress in a job and the difficulty of doing that when you move from an industry where it is not unusual to hold a job for just 1 or 2 years to an environment that can be a little bit slower moving.

Two problems I would identify though: compensation is typically tilted heavily toward people who are further along in their careers and emphasizes credentials, to a substantial extent, particularly technological credentials.

This is especially a glaring problem when it comes to open source technologies or other competitors where there just is not any

credentialing body. You have to look at the person's body of work. You cannot go get a certificate from Oracle for tens of thousands of dollars.

And then I would say, frankly, another issue is the difficulty of making changes when there is a problem with the personnel in an agency. Obviously, there are countervailing considerations to this, but that certainly has been my experience, that a lot of people are dissuaded by negative circumstances they encounter where that is an exacerbating factor.

Chairman CARPER. OK. Mr. Shea.

Mr. SHEA. Yes, sir. I do not have much to add either, but it has never stopped me before. The——

Chairman CARPER. Actually, sometime I find repetition is good. It actually is.

Mr. SHEA. Well, I think your point about language cannot be understated. I have been really disappointed about the conversation we have had around the Federal workforce over the last several years. We tried to change it in the Bush Administration with no success whatsoever. But the policies and conversation we have had around the workforce has been really damaging, and you can see that in the decline overall in the engagement scores.

And what is important to recognize is that this high engagement, as Max shows, produces better results at little or no cost. You can get a lot more out of employees. They are willing to put up with a lot of crap for the importance of the missions they are serving, if leadership will focus just a little bit on keeping them engaged and motivated. So it is a low-cost investment to make and a higher performing government overall.

Chairman CARPER. I have known people who have said that in order for them to get something done that they really want to see accomplished, what they like to do is convince other people that it was their idea. And I find that when I am trying to get something done, what I like to do is to maybe not convince other people that it is their idea, but to certainly feel that they own a piece of that idea.

Mr. SHEA. That is a great idea, Senator.

Chairman CARPER. I think that is a little about what you are talking about here with employees. I have a question for all the witnesses, and then I think I am going to ask Senator Coburn's staff to come and take his seat and they can just ask whatever questions they want, because he is apparently hung up on the floor. If you all have any questions you want me to ask for him, I would be happy to do that, by the way. He is certainly free to offer questions for the record, and I know he will.

But for all of our witnesses, if I could, Mr. Lee, urge that we make agency spending data more, I think the term you used, was granular, maybe more uniform and complete in order to achieve greater transparency. But if legislation goes too far or is too prescriptive, that effort may impose too much cost and divert too many resources and attention from achieving the mission release. That concern has been raised. How do you suggest that we get the right balance in this regard?

Mr. LEE. It certainly is a concern and I think that you can take granular reporting. Sub-recipient reporting for Federal spending

data is an example too far. It is not possible to track every cent the government spends throughout the entire economy. However, I will say that, we have an existing disclosure burden that has been in place for decades, but is not working at all. A necessary first step will be to get that particular house in order.

As we conducted our data quality analyses at Sunlight, we were really pleased to see the thoroughness with which many agencies dealt with this spending system. They would, for instance at HHS, upload their data and then re-download it to check it. And, in fact, they found that the process of uploading it had somehow messed it up and it was no longer accurate and so they had to go and do it again.

And this was for a system that was completely parallel to their internal system of checks for managing their accounts and the flow of funds. I think that the reason why this information has not been given the priority it deserves is because it is seen as completely parallel and incidental to how agencies and the Administration manage their own business. It is seen as something that is only used by the public and Congress, which we feel strongly are important users that should be getting accurate information.

So that is one of the reasons why Sunlight was excited about moving responsibility for managing this data to Treasury, where a lot of the real but hidden systems reside, in the hopes that these two streams of reporting could be harmonized and ultimately the burden reduced. We are optimistic that technology and the reduction of duplicative systems can help ease the disclosure burden, even as we recognize that it is important that we make an investment in transparency and oversight.

Chairman CARPER. Again, this one is open to each of our witnesses. If you would like to comment, Mr. Shea?

Mr. SHEA. Yes. When we were first negotiating the Federal Funding, Accountability, and Transparency Act with the Committee, the knee-jerk reaction from the Executive Branch was that the requirements being discussed were too burdensome and unimplementable. Maybe we have proven that true.

But, in fact, once the bill was enacted, it became clear that all of the data required by the law was already being collected in some form. And it looks as though, from the Taxpayers Right-To-Know Act, most of those data elements are being collected in some form by agencies and programs today.

So I think you can assure yourself, with some additional language, that agencies, when they are confronted with this new requirement, that they first make sure that the data is not already being collected and reported somewhere before they establish a new mechanism for producing that data.

Chairman CARPER. OK. Thank you. Dr. Metzenbaum.

Ms. METZENBAUM. I am wholly supportive of the idea of the taxpayers' right to know about what we are spending our money on, what the Federal Government spends its money on, and what it is accomplishing. I think the challenge is, before adding new data reporting requirements, really thinking about the questions you want to answer.

I have some concerns about certain aspects of the proposed legislation. I have fears that it will exacerbate the silos and duplication

issues because if you focus on the program as the primary unit for reporting rather than outcomes, then it encourages everybody to want to protect their program turf.

So I can think of situations, for example, around clean water. What is the program? Is it the Clean Water program at the Environmental Protection Agency (EPA)? Is it the Clean Water program in Delaware, which is a program that is supported by Federal money. Is it the Surface Water program, the Drinking Water program, or is it the rule-writing, the inspection, the enforcement program?

And what you really want is it to be about cleaner water. And if you tie all of this to outcomes, it is good to know which programs are managing and supporting each outcome objective. I would be very cautious about adding new reporting requirements before making sure that the data will be useful to people making decisions and that people running each program are not going to say, "Wait a minute, I want to make sure I have my dollars for my permit program," when, in fact, you might want to shift it to the enforcement program.

So really, not creating a system that reinforces turf and the silos, but rather focuses on the outcomes. I would urge, in sort of thinking about the next steps in terms of how to improve the proposed language, consulting Bob Kaplan and Michael Porter, two professors at the Harvard Business School. They are doing some really interesting work on patient-focused accounting and cost tracking, and they are finding it is reducing costs and improving cycle times.

I think there may be some lessons for the Federal Government in what they are doing. So, before taking the next step and adding a whole new set of reporting requirements, I would be clear about what you are trying to accomplish with those reporting requirements.

One other thing that I think is worth consideration in thinking about how the specifics of the law should work are the front-line workers, whether we are talking about case workers, inspectors, teachers, or policemen. If you look at what happens when these reporting requirements trickle down, they often turn a case worker into a data clerk. Instead, we should be figuring out how to return data to the data suppliers with value added through analysis that helps them make better decisions about what kind of treatment or action they ought to be taking with a person or a student they are trying to help or a facility that they are trying to get into compliance.

What has worked better in other situations is returning the data back to frontline worker in a way that helps them answer that question, "How should they allocate my time for the highest return." So as you consider adding data requirements, reporting requirements, please think about the users of the system and make sure the Federal Government is building systems that inform the decisions that will actually drive improvements.

Chairman CARPER. Good. That is very timely. Thank you. Thanks very much. So Max Stier.

Mr. STIER. Thank you. I think these are all great points and I am really pleased that you are focused on the cost on the government side. There is an awful lot of time that is spent by the Fed-

eral workforce responding to compliance exercises. One would think that the information may be useful for management; it typically is not. Often that data becomes simply another report that gets thrown over the wall which no one is looking at.

One thought I have would be to——

Chairman CARPER. Off the wall as opposed to over the wall.

Mr. STIER. Over the wall, exactly. Can we remove some of the unneeded data collection requirements? There are some 300 reports that agencies are doing that no one is reading. Can you remove some of those or create a regular process that will help the Federal workforce do what you really want them to do, rather than provide data that no one is actually interested in. Can they instead, spend the time on things that you do care about.

Combine some effort to replace those compliance exercises with ones that you really care about. That would be enormously beneficial inside the workforce and for you and for the public.

Chairman CARPER. That is sort of a first cousin to what a fellow named Cass Sunstein tried to do with respect to regulations, to make sure we are going back and actually looking at the ones we have and trying to decide whether or not we still need them all in their former——

Mr. STIER. Right. It is very important. His effort was still focused on the outside, not on the inside. No one has ever paid attention to the overhang that government itself is having to deal with, and it is enormous, unbelievable stuff that agencies have to do that adds no value or limited value at great cost.

Chairman CARPER. All right. Thanks. We opened our hearing today with your statements. Dr. Coburn and I gave an opening statement, but then we opened with your testimony. And sometimes when we have a diverse panel together and there is not a lot of consensus, one of the things I do at the end is I say, Where do you think you agreed.

And as it turns out, there is a lot of agreement here, there is a lot of consensus here. But I want each of you to give just a short closing statement, maybe a minute or so, and just to go back and all that we talked about—we have covered a lot of territory here. But just something that you would really like to leave right here on this dias. For God's sake, if you do not remember anything else, have nothing else that you follow through on—and hopefully, we will follow through on a number of these points. I think we are already on some of them.

But just give us one terrific take-away, what might be that one point?

Mr. LEE. I suppose that coming from a transparency organization, I should take a moment just to emphasize, particularly since we have heard some considered and correct thoughts about the disclosure burden that the government faces, I need to emphasize the value of transparency measures.

They need to be done smartly, of course, to make sure that they are useful. But ultimately, they cannot only find duplicative or wasteful activity, they can forestall bad behavior or useless behavior in the first place simply by making it known that people from within government and from outside of government are going to be paying attention.

If there is a single thing to stress, I think it is that it is important that these systems be open to the light of day and that useful information that can help us produce a better government be given to the public.

Chairman CARPER. All right. Thanks. Mr. Shea.

Mr. SHEA. Thanks for the opportunity, Senator. It has been a great afternoon. I would simply implore you to pick three areas in which you can agree with the Administration, that deserves your focus, and relentlessly pursue improvement actions with the agency responsible for that. That is just a simple point.

Chairman CARPER. I like that one. Thank you. Dr. Metzenbaum.

Ms. METZENBAUM. Thank you, Mr. Chairman. Once again, showing how bipartisan the discussion is on these issues, what Robert just said is very similar to what I was going to say. I thank this Committee for giving attention to management matters. They do not get enough attention and they need more.

And I would urge you to pick a few areas, both in mission-focused areas, but also mission support areas, just a few where you work with the Administration to find what is working. Shine a spotlight on it. Promote speedier adoption of it. And find what is not working.

Do some root cause analysis to figure out what is going on and deal with the difficult problems, because Congress working with the Administration can take on some of the problems that neither can do as well on their own. I think you would see tremendous progress.

Chairman CARPER. Good. Thank you. Mr. Stier.

Mr. STIER. If you give me a minute, I can cover three things. Thank you very much for doing this hearing, and also, again, I want to end where I started, which is, I think the Administration is doing important work and they need all the support that they can get. Working in tandem with you and the rest of the Committee, a lot can be done and, frankly, needs to be done.

You need to focus on the transition process now before the Presidential campaign season begins. There are things that could be done that I think would improve all of these things going forward, because it all begins where it starts and it does not start very well because of some dysfunctions in the transition process.

Second, we talked about concrete things that can be done to improve employee engagement. It is a real problem and one on which this Committee could have real impact.

Finally, it is time for civil service reform. The current system does not meet the needs of today's world, and certainly not tomorrow's. Thank you.

Chairman CARPER. Well, this has been 2 hours well spent and we are grateful to you for spending them with us and for the preparation that you have gone through. Probably years of preparation, actually, in preparing you for this conversation.

I might suspect that we will want to followup with you on a number of these points. So we thank you for that. I am one of those people, I really believe that Einstein had it right. In adversity lies opportunity. People say to me, How are you doing? I have a friend who says, Compared to what, when they ask him how he is doing. He says, Compared to what?

But usually when people say to me, How are you doing, I tell them I am happy. And they say, How can you be happy? Do you not work in Washington? Are you a Senator? How can you be happy there with all that gridlock and back-biting and inability to get along and so on. But I really believe Einstein is right, in adversity lies opportunity.

And there is plenty of adversity here, but there is also a lot of opportunity. I think there are people of goodwill on both sides of the aisle, in the Legislative Branch, the Executive Branch, and in the private sector that are willing to help us do better.

Everything I do I know I can do better and the same is true of a lot of problems we are talking about here. So with that in mind, the hearing record is going to remain open for 15 days. So the 15-day window closes on April 15 at 5 p.m. for the submission of statements and questions for the record.

I know a number of my colleagues will have some questions, and if you could respond to those promptly, we would be most grateful. Again, it is great to be with all you. Thank you for those of you who have served within this Federal Government of ours in a number of capacities and those who work very closely in trying to make our government more and more effective. We are grateful. With that, this hearing is adjourned. Thanks so much.

[Whereupon, at 4:54 p.m., the hearing was adjourned.]

A P P E N D I X

Opening Statement of Chairman Thomas R. Carper Management Matters: Creating a 21st Century Government – Part II, Outside Views March 31, 2014

As prepared for delivery:

We are here today to conduct the second part of a series of hearings to examine how our government manages itself and what can be done to increase efficiency and effectiveness.

This hearing follows up on a hearing that the Committee held on March 12 to discuss the Administration's management agenda for the remainder of President Obama's second term. At that hearing, Beth Cobert from the Office of Management and Budget and Dan Tangherlini from the General Services Administration discussed the four pillars of the Administration's approach to good management: effectiveness and efficiency in government, how to drive economic growth, and how to recruit and train a talented and dedicated workforce.

Gene Dodaro from the Government Accountability Office also testified and suggested a few ways in which the Administration and Congress can work together to help to achieve the goals of the management agenda and save taxpayers some money in the long run.

Our hearing was a discussion of the challenges facing our government agencies, what the President wants to fix, and how we here in Congress can be partners in promoting smarter, more efficient, more effective government- familiar themes for many of us here in Congress and on this Committee.

Something I often like to say is that anything I do, I know I can do better. And I believe that is particularly true when it comes to government management. There is a lot of room for improvement.

Sadly, the challenges that we are facing are not new; for decades, both Republican and Democratic Administrations have struggled to correct inefficiencies and make government work better for the American people.

Government doesn't have to go it alone in its struggle to improve efficiency; there are private groups who have made it their mission to advise and help government agencies on how they can improve efficiency and spend taxpayer money more wisely.

Today, we continue the conversation that we started earlier this month. This time, though, we are receiving input from folks that represent a few of these outside groups.

Our witnesses want to see agencies and programs run well and achieve their missions efficiently and they understand the value of an effective government. They have personal experience in government, have gathered opinions from others, have done studies, have looked deeply at how government works or doesn't work, and they can inform us of what they have found.

I believe the non-profit and private sector groups like the ones that are represented today can prove to be valuable partners in advising our government on good management practices.

I look forward to discussing their thoughts on the Administration's management agenda and what they think are the best ways to tackle the four pillars I mentioned earlier: effectiveness, efficiency, economic growth, and people and culture.

Effective government management has long been a priority for this committee and I hope this hearing shines a spotlight on what management initiatives are being done well, what could be done better, and how Congress can help the Administration achieve this important goal.

Something that comes to mind is an old saying from President Truman, which I will paraphrase: 'the only things that are new to us are the things we never learned or the things we have forgotten.'

We have to learn from the lessons of past government workers and administrations so we don't repeat their mistakes. I look forward to hearing from our witnesses on what they believe can be done to set our government management on a more responsible course.

###



PARTNERSHIP FOR PUBLIC SERVICE

**Written Testimony of Max Stier
President and CEO
Partnership for Public Service**

Prepared for

**The Senate Committee on Homeland Security
and Governmental Affairs**

**Hearing Entitled,
“Management Matters: Creating a 21st Century Government –
Part II, Outside Views”**

March 31, 2014

Chairman Carper, Ranking Member Coburn, and Members of the Committee, thank you for the opportunity to appear before you today. I am Max Stier, President and CEO of the Partnership for Public Service, a nonpartisan, nonprofit organization dedicated to revitalizing the federal civil service and transforming the way government works. I appreciate your invitation to testify on opportunities to improve the management of the executive branch.

The management challenges facing our federal government are daunting. I know the Committee recently heard the testimony from OMB, GAO and GSA in an effort to identify practical, achievable improvements in how we manage all of the resources at the federal government's disposal, and to address the chronic problems that defy short-term solutions and transitional leadership. I applaud the work that Beth Cobert is doing as OMB's new deputy director for management, and I believe I speak for all of us when I say we would like her to succeed and stand ready to assist in any way we can.

Having said that, improving the management of our government is not a one-man or one-woman job. It requires collective effort, sustained over time, with a focus on clear objectives and measurable results. In my testimony, I would like to share several ideas where I believe this Committee's efforts are most needed, and would yield the most impact.

1) Reduce the number of vacancies in critical management positions

Mr. Chairman, I have heard you refer to the high number of vacant posts in our government as "executive branch swiss cheese," and I applaud you and your colleagues on the Committee for calling attention to the fact that vacancies in senior posts reduce accountability and diminish the capacity of federal agencies to get things done. This has to change, and we suggest that now is a good time to start.

There are many reasons for the slow pace of filling vacancies, and there is no one fix. However, this Committee could do a world of good by setting a new expectation that future presidential administrations should work to have their 100 most critical management and security positions filled by May 1st of an inaugural year, and have the top 400 positions filled by the August recess. It is an ambitious goal, but if the Senate sets the expectation and works in good faith to consider nominations fairly and expeditiously, it is achievable.

Even with a full team in place, an administration will not function well if its senior appointees are not fully prepared for the challenges of governing in the federal environment. Appointees must have the tools they need to succeed in their jobs, and this includes learning from others who know from personal experience the policy and implementation challenges facing new appointees. Too many appointees waste the time between nomination and confirmation because they fear crossing a line of what is appropriate for a nominee awaiting action by the Senate. We believe that Congress should actively encourage nominees to seek information, learn from others who have been in those jobs, and make the most of the time available to them during the confirmation process. This Committee in particular is well-positioned to set an example for the rest of the Senate, given its tradition of leadership around presidential appointment and transition issues.

Setting these expectations now, and securing the bipartisan support of your Senate colleagues, will give the next presidential transition teams the guidance they need to ensure that our next president has a full team on the field as quickly as possible, and that the team is well-prepared to govern effectively in the federal environment.

We also urge this committee to consider legislation requiring all C-Suite positions be filled by a career appointee for a renewable term of six years with performance contracts. This would reduce the overall number of political appointees and ensure long-term perspective and leadership continuity between administrations.

The Partnership has additional recommendations regarding presidential transitions, and the opportunity inherent in transitions to hit “reset” and do things better and smarter. These ideas include building on the excellent work you have already done to reduce the number of positions subject to Senate confirmation, and the early steps taken to reduce the paperwork required of nominees. We would be pleased to discuss these and other recommendations with you in greater detail.

2) Focus on execution, and engage the private sector to help

Members of Congress and executive branch officials spend vast amounts of time and energy developing policy. Outside interests – including the business community, nonprofit organizations and the general public – invest heavily in influencing policy and exercising their right to petition our government. But formulating policy is just a small part of making our government work. For all the time spent on policy, we would be well-served if at least as much effort was devoted to execution.

Congress has a critical oversight responsibility, but in our view, oversight often takes the form of an investigation after government has failed in some way. We believe that Congress should do more to oversee the execution of government policy and programs before there is a problem. Understanding how a policy is being translated into mission objectives, how it is being implemented, what skills and expertise are needed, and whether resources are appropriately aligned against performance goals are critical questions that are often asked too late, or not at all. Asking hard questions early and working across branches, and across agencies, to “get it right the first time” should be regular practice and part of the culture of governing. It is concerning that Congress is spending far fewer hours conducting oversight hearings than it has in the past. For example, in the 104th Congress, lawmakers spent 5,397 hours in hearings, but in the 111th Congress those numbers had dropped significantly to 3,758 hours.¹

One important ally in the quest to improve government’s performance is America’s corporate community. Our nation is fortunate to have robust and innovative businesses that have modernized and evolved along with the market. They can serve as advocates and advisors as federal leaders wrestle with using technology, measuring performance, building capacity, streamlining operations, engaging stakeholders and other critical management challenges.

The Partnership has proposed a government-wide talent exchange that would enable senior career employees to spend time in a private sector company, and enable private sector talent to serve temporarily in a federal agency. The idea is to enable better learning across sectors, and the sharing of best practices and new ways of thinking. The idea is not new and it occurs in pockets throughout government, but we believe a government-wide talent exchange authority would have merit and is worth the Committee’s consideration.

Another idea you may consider with respect to talent exchanges is a program to allow congressional staff to serve some time on assignment in a federal agency. I understand that this would be asking Congress to give up an already scarce resource – your people – for a period of

¹ American Enterprise Institute and Brookings Institution, “Vital Statistics on Congress”, July 2013.

time. But as someone who has served in all three branches of government, I believe it would add to the Committee's understanding of management and governing challenges in real and significant ways.

3) Treat government as a single enterprise

Government agencies operate as separate, largely independent organizations; only in times of crisis are multi-agency resources leveraged to address a single problem. But today's challenges are complex and can rarely be resolved effectively by one agency acting alone. The result is subpar performance, along with duplication, overlap and inefficiency.

The Government Performance and Results Modernization Act passed by this Committee is a good start, and we applaud the Obama administration for laying a solid foundation for enterprise government by establishing cross-agency goals and identifying goal leaders from OMB and the agencies. However, we believe the White House should extend even further the enterprise approach to a broader array of cross-cutting goals, missions and administrative functions, investing in the infrastructure necessary to ensure that this approach becomes the accepted norm.

We believe it is critical that the President develop and publicly commit to a strategic enterprise performance plan that identifies the broad array of missions and functions (including the top presidential priorities) that can best be achieved by the whole-of-government enterprise. The plan would set outcome and time-based goals for enterprise missions and functions and put the necessary infrastructure and accountability mechanisms in place to increase the likelihood those targets are achieved. Presidential commitment to and ownership of this strategic enterprise performance plan is absolutely essential to its success. The President's Management Council (PMC) should play a critical role in implementing the plan, holding officials accountable for turning the plan into reality through rigorous performance reviews for each cross-agency priority, mission and management function.

The Partnership recently issued a report, *Building the Enterprise: Nine Strategies for a More Integrated, Effective Government*. In the report, we advocate for a collaborative, multi-agency approach that integrates and leverages the enterprise – that is, the whole of government – to solve today's complex challenges. Encouraging an enterprise approach is one way that Congress can respond to the fragmentation and overlap that continue to exist across agencies and programs, and which we know have been of significant concern to members of this Committee. Common-sense solutions like leveraging federal buying power or sharing mission-support services are possible when we build government's capacity to plan, manage and measure cross-agency goals and missions.

4) Celebrate what is working in government

No organization will improve if we continually tear it down, and the federal government is no different. There is a massive infrastructure in place to expose things that are wrong in government – the agency inspectors general, GAO, congressional oversight, the media and outside “watchdog” organizations – but virtually nothing to highlight what is right so that it can be celebrated and replicated. The Partnership hosts the *Service to America Medals (Sammies)* program, which has become one of the premier recognition programs for great innovation and achievement by federal employees. The accomplishments of *Sammies* winners and finalists are extraordinary – e.g., enabling military amputees to return to active duty, eradicating polio in India, saving the Air Force \$1 billion in fuel costs in a single year – and after twelve years

running the *Sammies* program, we have about 400 more true and inspiring stories like these to share. These accomplishments are a treasure trove of government success, and they deserve to be highlighted and celebrated. The 2014 gala will be on September 22nd. We would love to have you come to see what great government looks like.

5) Hold agency leaders accountable for managing people well

The Partnership's *Best Places to Work in the Federal Government* rankings (www.bestplacetowork.org), which are based on the Office of Personnel Management's Federal Employee Viewpoint Survey, tell a troubling story. Federal employee engagement numbers have been declining steeply for several years in a row. While we suspect that pay freezes, furloughs and anti-government rhetoric are contributing factors, we also know that it is possible to improve employee engagement, even in difficult environments, if leaders are held accountable for doing so. In 2013, for example, nearly one quarter of federal organizations improved their scores, despite the challenging year. NASA, the number one agency in 2012, was not only awarded the top spot again in 2013, but it was also the most improved agency. We urge this Committee to ask the agency leaders who come before you how employee morale is contributing to agency performance, what they are doing to improve employee morale and engagement, and how they will know if their actions are making a difference. Knowing that Congress cares about this critical management metric would drive the rest of government to pay attention to these issues in ways that are not happening today.

6) Develop, manage and engage the senior career leadership of government

The group most essential to the long-term success of government is the Senior Executive Service (SES), the approximately 7,000 career executives who are the top career professionals that manage government programs from administration to administration. This elite cadre of leaders provides continuity across administrations and serves as the bridge between political appointees and the federal workforce.

The challenges our executives face today are greater than ever and the problems they are trying to solve cross traditional boundaries. They require leaders who can serve as enterprise executives and work across government and sectors to achieve their missions. To ensure our federal government has the very best executive leadership team, we believe agencies should identify high-performing talent early and provide opportunities for employees to have broadening experiences, such as rotation assignments to other sectors, levels of government or agencies. This diversity of experience is critical given the nature of the challenges executives will be tasked with solving and will help candidates develop an enterprise perspective. We encourage this Committee to pass legislation that would make experience in another sector, level of government or agency a requirement for entry to the SES. In addition, we believe agencies would benefit greatly from building a pipeline of talent external to government that can contribute new ways of thinking and best practices from other sectors. We encourage agencies to make necessary reforms to the recruiting and hiring process to attract, hire and retain more external talent.

Once executives are selected, agencies should invest in a robust onboarding program to help them succeed. An onboarding program could include elements such as 180-or 360-degree assessments, executive workshops on topics such as how to improve employee engagement or deal with poor performers, group coaching, action-learning projects and mentoring. Executives will need further opportunities to grow and develop during the course of their tenure in the SES. One way to do this is by providing rotation assignments and opportunities for executives to be deployed as a government-wide asset to help solve the federal government's most complex challenges and

achieve cross-agency priority goals. We believe the PMC, working with OMB and OPM, should own leadership in government and ensure it is managed and deployed to achieve these goals.

More must also be done to engage the existing career leadership in government around the President's Management Agenda (PMA). We encourage President Obama to meet with the full SES to communicate his vision for the PMA, energize them to reach these goals and make the connection to their jobs so they own the management agenda and drive it forward. President George W. Bush and President George H. W. Bush held similar meetings with their executives. President Obama will have more success in implementing his agenda if he follows suit and actively engages his executive leadership team.

7) Create a scorecard to hold political leaders accountable

Engaging career leadership is critical, but senior political leaders must also be held accountable for the effectiveness of their organizations. We are pleased to see that the agency deputy secretaries are holding quarterly meetings to discuss their agency's performance metrics. This is the right model, but we would like to see the deputy secretaries go further and include more management issues as part of these conversations. The recently established CAP goals dealing with customer service, shared services and people and culture are good examples of cross-cutting management issues where a real difference can be made if focus is sustained and progress is measured.

The PMC should agree upon a set of metrics, which would be collected, discussed and ultimately shared with the president on a quarterly basis. Such measures could include employee engagement, quality of new people coming into government or quality of leadership. Ultimately, these measures would be part of a scorecard that President Obama could use to hold his top political leaders accountable. Current plans by the administration in this regard are headed in the right direction. Continued attention to these issues by this Committee would also help sustain the effort.

8) Reform the civil service system

Today's hearing adds to the conversation about improving the management of our government. I believe we need a similar conversation around the need to reform the civil service, as it is both one of government's greatest assets and one of its greatest management challenges. Designed more than 60 years ago, the personnel system governing more than 2 million workers is a relic of a bygone era, reflecting a time when most federal jobs were clerical and required few specialized skills, and when the government's role in society was smaller and far less complicated. The world has changed dramatically, but the civil service system has remained stuck in the past, serving as a barrier rather than an aid to attracting, hiring and retaining highly skilled and educated employees needed to respond to today's domestic and global challenges. Civil servants are the government's greatest assets, but they are ill-served by the system in which they work.

On April 2nd, the Partnership will release a framework for civil service reform. Our goal is to start a conversation about how to modernize a system that in its current form was largely designed in the 1940's and received its last comprehensive update in 1978. We know civil service reform will be a significant undertaking – the Senate Governmental Affairs Committee held 12 days of public hearings and seven markup sessions when it considered the Civil Service Reform Act of 1978 – but we believe it is critical and deserves such deliberation to ensure all voices and perspectives are heard. This Committee's leadership will be essential, and we hope

you will consider a series of hearings in the coming months on opportunities to improve the civil service system for the benefit of agencies, federal employees and the people they serve.

Mr. Chairman and members of the Committee, thank you for the opportunity to appear before you today, and for your critical interest in the management of our federal government.



“BETTER GOALS, BETTER MEASURES, BETTER RESULTS”

WRITTEN TESTIMONY OF
DR. SHELLEY H. METZENBAUM
PRESIDENT OF THE VOLCKER ALLIANCE

BEFORE THE
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

MANAGEMENT MATTERS: CREATING A 21st CENTURY GOVERNMENT
PART II, OUTSIDE VIEWS

MARCH 31, 2014

Chairman Carper, Ranking Member Dr. Coburn, and Members of the Committee, I greatly appreciate the opportunity to appear before you today to talk about management matters.

Government management needs more attention. This is easy to say, but not so easy to do because in government, management matters are not headline-grabbing except when a problem erupts. Nor, unfortunately, does policy execution research seem to lead down a high-probability tenure-producing path at the top research universities, despite the fact that, as Thomas Edison once observed, "Vision without execution is hallucination."

If government were a publicly traded company, concern by executives about investor reactions to poor management would provide powerful pressure for good management. Sadly, a comparably powerful incentive for continuous improvement does not exist in the public sector. Sure, government-screw ups get plenty of attention, but imagine if private investors similarly focused primarily on production problems or failed trials, rather than growth in value to customers and a stronger bottom line. The pace of product improvements would likely rapidly decline.

We need to keep the pressure on government not just to pay attention to preventing problems and keeping their costs as low as possible, but also to mission-focused improvements – finding and spreading what works better. Government agencies must become more adept at setting goals and pushing continuous improvement. They must get more skilled at applying existing evidence, generating new knowledge, and using experimentation and innovation to test new approaches to program delivery. Further, they must better communicate their results and share successful approaches with those who can apply that knowledge.

The lack of attention to management matters is why, last year, building on a long, distinguished, and exemplary career in public service and the private sector, former Federal Reserve Board Chairman Paul Volcker decided to launch the Volcker Alliance. The Alliance, where I am now proud to be the founding President, aims to rekindle intellectual, practical, political, and academic interest in the implementation of policy – in the "nuts and bolts" and, increasingly, the electrons of government. We seek to be a catalyst for change – encouraging public, private, and educational institutions to give sustained attention to excellence in the execution of federal, state, and local policies in the U.S. and abroad.

This need for attention is also why this committee's decision to convene a second hearing this month on management matters is cause for celebration. We need more minds spending more time working to understand implementation successes and government problems, their causes, and ways to improve.

Increasingly, political crises are not about failures of policy but failures of execution. It is those failures that people read about in the headlines, suggesting that government is characterized by massive mismanagement. While there are plenty of successes that we don't hear about, the number of news stories about management mistakes undoubtedly contributes to the loss of confidence in government. This poses a real and urgent crisis that can prevent our government and our country from achieving our full potential in an increasingly competitive and globalized world. We need to do something about it now.

I appreciate the opportunity to come here today to talk about priorities for improving the management of the federal government, including lessons learned implementing the performance

management practices required by the Government Performance and Results Modernization Act of 2010 (Modernization Act). I speak based on my recent experience as the OMB Associate Director for Performance and Personnel Management where I was responsible for the law's implementation, as well my work before and since then.

I will focus the bulk of my comments on performance measurement and management because it is the key method businesses use to drive performance and because it is a high-leverage tool applicable across multiple domains, for both mission-focused and mission-support, or functional, goals. I am also happy to share my thoughts, as requested, on goals the Administration and Congress might set for short- and long-term management initiatives.

I. The Performance Improvement and Accountability Framework

Let me start by talking briefly about lessons learned from implementation of the 1993 Government Performance and Results Act and other performance management efforts around the country and the world. The Obama Administration applied these lessons to the performance improvement and accountability practices it required at the beginning of the Administration. Congress applied them when it modernized the 1993 Act in 2010.

Performance Improvement in the Clinton and Bush Administrations

The core elements of the 1993 law were quite simple and straightforward:

- set goals, including outcome-related goals and objectives;
- measure performance; and
- report performance annually.

Valuable lessons were learned from the implementation of the 1993 law, the most noteworthy of which was that setting goals, measuring performance, and reporting results was a good start. It was not enough, however. Agencies needed to use performance data to find ways to improve. They also needed to use goals to communicate priorities, to refine priorities so they resonated and aligned with outcomes that mattered to the public and Congress, and to enlist ideas, expertise, and assistance to accelerate progress beyond what an agency could accomplish on its own.

While all federal agencies gained experience setting goals and measuring performance, agencies that set outcome-focused goals and used performance data, evaluations, and other information to select their strategies and execute on them made faster progress. The National Highway Traffic Safety Administration (NHTSA) has long been one of my favorite examples of an agency that got off to a strong start. NHTSA has routinely set an outcome-focused goal of reducing traffic fatalities by a specific amount in a specific time period. It routinely uses traffic fatality data noting key characteristics of fatal accidents before, during, and after each incident to identify causal factors. NHTSA then uses that information to develop policies to drive traffic accidents down. Despite increases in vehicle miles traveled, highway deaths have continued to decline. Why? NHTSA analyzes the data it collects to look for promising state and local practices associated with fatality reductions, such as the adoption of primary enforcement laws to increase seat-belt use and the "Click It or Ticket" campaign. It then looks to see if these favorable results

also occur in other places that adopted the practices. When that happens, NHTSA promotes broader adoption.

NHTSA also conducts measured pilots, such as a current one to apply lessons learned from the Click It or Ticket campaign to reduce distracted driving (“Cell phone in one hand, ticket in the other”). It started the campaign with pilots in two smaller communities, and is now trying to replicate the positive results in two larger ones, comparing the results to communities without the campaign. NHTSA also takes advantage of natural experiments that occur when states change key aspects of their safety laws to compare the impact on their traffic fatality rates to changes in fatality rates in other states.

Another key aspect of NHTSA’s successful practice is that it returns data to its state and local data suppliers with value added through analysis. This makes it easier for state and local officials to use local, national, and comparative data to inform local safety-enhancing decisions. Not incidentally, this also gives its state and local delivery partners a reason to care about the quality of the data they submit to the federal government.

Most agencies got off to a slower start, however. While they experimented with goal-setting, measurement, and reporting, they failed to tap into the power of goals and measurements to communicate priorities, motivate employee effort, inspire innovation, illuminate problems, reveal opportunities, share lessons learned, support cooperation on shared goals, and enlist ideas, expertise, information, and assistance. Laudable efforts by the previous Administration to increase agency adoption of performance and evidence-based management practices by rating programs on their adoption of specific practices unfortunately and unintentionally, I believe, distracted attention away from finding ways to improve performance trends on the outcomes of interest, focusing agencies instead on getting a good rating.

Performance Improvement in the Obama Administration

Building on lessons learned during the Clinton and Bush years, in state and local governments, and in other countries, the Obama Administration set out to reset the agency mindset. The idea was to get agencies to use goals to communicate priorities and to use performance data to figure out how to improve and enlist others in that effort. Useful, useful, useful. That was, and I believe still is, the mantra. If goals and measurement are not being used, they are useless and sometimes even wasteful.

The changes were based on review of research and experience identifying conditions¹ that made goals and measurement transformative by encouraging innovation and replication of best practices, ultimately producing greater results. These reviews examined the lessons of the multi-decade, data-driven transformation in policing US cities; the cleanup of the Charles River in Massachusetts; nationwide experiences from the United Kingdom and New Zealand; state experiences from Virginia, Maryland, Texas, Washington, and elsewhere; and local government experiences in such cities as DC, Baltimore, Pittsburgh, Boston, and Seattle. These lessons suggested the potential value of requiring agencies to adopt a few practices not previously mandated by the 1993 law or Executive Order.

What are those additional practices that the Administration initially required and that are now codified in the Modernization Act?

- **Outcome-focused priority goals.** All agency heads are expected to set a few ambitious, outcome-focused priority goals that their organizations will try to accomplish within two years without new legislation or funding.
- **Leadership responsibilities.** To drive progress on each priority goal, OMB guidance, established new leadership responsibilities for individuals in agencies – the Chief Operating Officer (COO), the Performance Improvement Officer (PIO), and a designated goal leader for each goal. The law subsequently laid out more explicitly the responsibilities for these individuals.
- **More Frequent Measurement and Reporting.** Progress on each priority goal is measured no less than quarterly, and publicly reported soon after the close of the quarter.
- **Data-driven Reviews.** The COO conducts data-driven performance reviews on priority goals no less than quarterly. OMB reviews agency performance on priority goals quarterly and on other goals annually to determine those needing attention or assistance.
- **Communication.** Agencies must communicate more clearly and frequently what they are trying to accomplish; why it is important to do so; how they will proceed (strategies and planned next steps); why these strategies were chosen (evidence); and how well they are performing each quarter. They do this on Performance.gov.

In addition to publishing information on Performance.gov, agencies are encouraged to identify key audiences for their performance data and determine how best to package and deliver the information so their target audiences receive it when and where they need it to make decisions and, once received, are able to use it easily. The Department of Health and Human Services's Partnership for Patients initiative is one example of this. It has enlisted more than 3,700 hospitals across the country and others who have agreed to try to reach, within three years, a goal of 40% reduction in hospital-acquired conditions and a 20% reduction in hospital readmissions compared to 2010.

Communicating goals, measurements, strategies, problems encountered, and evidence of effective and promising practices serves multiple purposes. It strengthens democratic accountability, keeps agencies focused on their priority goals, supports collaboration on shared goals, enlists assistance and expertise, and facilitates cross-agency learning.

- **Accountability expectations.** Agencies and their managers are accountable for setting sensible, understandable goals, including a small number of ambitious, implementation-focused priority goals. They are also responsible for using evidence to identify practices likely to accelerate progress on the goals; monitoring progress frequently to detect problems early so they can be prevented or reduced and to find ways to improve; and adjusting actions quickly as needed. In addition, they should inform and engage others to achieve continuous improvement. Agencies are expected to try to meet all of their stretch targets, but also know that if 100% of priority goals are consistently met, it will raise a warning flag that prompts OMB to consider if the agency set targets that were insufficiently ambitious.

The Modernization Act added other noteworthy requirements, most notably requiring the Administration to set cross-agency priority goals. Also, it wisely aligned the timing of strategic plans with Presidential terms.

The Evidence Behind the Tools Required by the GPRA Modernization Act

Let me elaborate a bit on what the evidence says about the power of some of the tools mandated by the Modernization Act, including those initially required in the 1993 law, and characteristics of the tools needed to make them work well.

A. Goals

The research on the performance-improving power of setting a limited number of well-formulated goals, whether in the public or in the private sector, is incredibly rich. Well-structured goals should have the following attributes:

- **Specific** goals – indicating how much of what by when – are a remarkably effective, low-cost, and concise way to communicate to people within and beyond an organization what the organization wants to accomplish.
- **Outcome-focused** goals connect agency actions with the things that matter in people's lives, such as smoking rates or water quality, rather than on activities agencies do, such as the number of grants awarded or permits issued. They keep agencies asking if their actions are having the intended impact and adjusting them when they are not. Outcome-focused goals and measurement help agencies avoid the danger of running on autopilot, even when they need to establish standard operating procedures to be efficient in a large system. These goals keep them from assuming that what they are doing, in fact, works. Instead, outcome-focused goals keep them asking, and answering, if the approach they are taking is effective.
- **Ambitious** goals – stretch targets – compel people to look for smarter ways to get the job done. If targets are ambitious, an agency cannot accomplish the goal by doing what it is already doing unless it throws a lot of extra money at it. Stretch targets have an energizing, innovation-inducing effect provided an organization (or individual) does not try to accomplish too many relative to available resources. When that happens, stretch targets can be discouraging.

B. Measurement and Evaluations

Of course, it is not enough just to set a goal. It is also critical to measure progress toward that goal. When measurement or some other means to gauge progress does not accompany a goal, then we should all worry that the goal is just words. The goal may excite allies and inspire action, but some mechanism is needed – one or a combination of measurements, milestones, and other indicators – to gauge progress.

Based on the lessons learned from EPA starting in 1995 in its efforts to make the Charles River swimmable, from the New York City Police Department's introduction of weekly crime data reporting in the 1990s, from the United Kingdom, and from numerous state and local governments, OMB and the Modernization Act required federal agencies to measure progress on their priority goals more frequently, no less than once a quarter. This was a major departure from the past practice of requiring annual measurement. It was part of resetting the mindset. By asking for fresher, more frequent data, agencies get the quantitative feedback they need to adjust their actions quickly when the data suggest things are not working as expected.

In addition, OMB encourages agencies to use a suite of measures, not just a single indicator, to manage and communicate. It requires agencies to report "performance indicators" each quarter.

These are the indicators that capture progress toward the target as stated in the goal statement (such as changes in the energy efficiency rate, hospital-acquired infections, and percentage of transactions done electronically). But agencies are also encouraged to collect and report “other indicators” worth watching such as indicators about unwanted side effects, precursor events, early warning indicators, causal factors, lagging outcomes, or data completeness.

Performance measurement alone, however, is often not enough to chart the most effective and cost-effective path forward. It needs to be complemented with appropriately rigorous evaluation to try to isolate the impact of agency action from other variables that might be influencing outcomes of interest.

C. Leadership and Management.

Goals without measurement are just words on a page. But even when measurements are collected, they are of limited value if not used on a regular basis to inform action. For that reason, the Administration and the law create a number of people-specific assignments. In addition to requiring that the number two person at each agency, the Deputy Secretary or equivalent, function as a Chief Operating Officer (COO) and run data-driven reviews on the agency’s Priority Goals no less than once a quarter, the law codifies a previous Executive Order issued during the Bush Administration requiring each agency to have a Performance Improvement Officer (PIO) reporting directly to the COO. The PIO is responsible for the analytic preparation before the quarterly reviews. Also, he or she is expected, on behalf of the COO, to assure follow-up occurs on the discussions and assignments given during or in preparation for these reviews. Finally, each agency Secretary or COO must name a Goal Leader who is accountable for achieving progress on each priority goal and making adjustments when it is not happening.

These three people assignments, establishing distinct but complementary leadership roles and responsibilities for agency use of goals and measurement, were made based on careful review of past experience. They have proved remarkably helpful resetting the performance management mindset – shifting the emphasis from reporting to use and from compliance and fear of punishment to improvement.

II. Current Performance

So, how is all this working? The answer is, remarkably well, both in terms of benefits to peoples’ lives and in terms of process improvements. Of course, the change is not yet happening everywhere all the time, but significant progress is being made, as the GAO noted in its recent research which found that where priority goals had been set, agencies were using the information to accelerate improvements.²

Let me use the renewable energy goal of the U.S. Department of the Interior to illustrate why and how this goal-focused, data-driven approach works and also talk about what I think it will take for this approach to continue to work well.

In the first round of priority goal-setting, the Department of the Interior set a goal that by September 2011, it would increase approved capacity for renewable energy on Interior-managed lands by at least 9,000 megawatts, while ensuring full environmental reviews. The Interior Department realized that, as manager of one-fifth of the nation’s landmass and 1.7 billion acres

of outer continental shelf, it could contribute to a growing economy, job creation, reduced dependence on foreign oil, and reduced greenhouse gas emissions – important goals of the President and Congress – by making more of its land available for private development of renewable resources.

The Department picked what some call a big, hairy, audacious goal – the kind of goal that energizes and encourages innovation. To put the ambitiousness of the goal into context, in the previous thirty years, between 1978 and 2009, Interior had approved only a small number of wind and geothermal renewable energy projects, estimated to provide for development of about 1,500 mw of renewable energy.

If you look at trends for this goal during the first two years, available on the archived section of Performance.gov, it is clear that the Interior Department had a very difficult time early on figuring out how to make progress on this goal. By September 2010, it had only approved a little over 130 mw of renewable energy.

But, in December 2010, it was clear the department had figured something out. By then, it had approved an aggregate of nearly 4,000 mw of renewable energy, up nearly 3,200 mw from the prior month. What the Department had figured out was how to expedite its permitting process without compromising environmental concerns.

Despite this progress, by September 2011, the Department had not reached its target of 6,000 mw. Nonetheless, the Interior Department did not get discouraged, but instead decided to push for a higher target, especially since it was clearly identifying better ways to do its work. So, it set a new goal to authorize at least 11,000 mw in approved renewable capacity by September 2013. This time around, it not only met the target but significantly exceeded it, achieving nearly 13,800 mw of approved renewable energy on Interior managed land, enough to power about 4.6 million homes.

When the Administration released the list of FY2015 goals on Performance.gov a few weeks ago, Interior indicated its intent to keep going and set a goal of authorizing at least 16,500 mw on the lands it manages.

As this story illustrates, these tools – clear goals, frequent measurement, managing with measures and other evidence, communication – are helping federal agencies find what works and what needs fixing. The cadence of quarterly reviews and reporting are encouraging them to act on that information and take the necessary actions to improve. This is helping federal agencies achieve better outcomes for each dollar spent. Together, these tools are improving the outcomes that affect people's lives, raising returns on taxpayer investment, enhancing the quality of interaction with the government, and strengthening democratic accountability.

The great news is that the experience with this priority goal is not unique. Progress is being made on many other ambitious priority goals, such as reducing adult smoking and hospital infection rates, turning around the lowest performing schools, and increasing the number of airline passengers receiving expedited screening.

But let me return for a moment to the fact that the Interior Department failed to meet its FY2011 target. Should the Administration, or Congress, consider that a problem? In retrospect, it clearly was not, given the goal's ambitious nature and DOI's ability to adapt its strategy to improve

outcomes. But even at the time, OMB treated it as a model for other agencies, just the opposite of a problem. In short, the goal worked. It did not just accelerate the authorization of renewable energy projects on Interior managed lands, but it also helped identify ways to improve permitting now helping other parts of the federal government.

If we want agencies to set the kind of stretch targets that will encourage innovation, we need to expect some missed targets. In fact, we should get worried about agencies that meet all of their stretch targets most of the time. Quite frankly, it would be wonderful for Congress to somehow signal its recognition that stretch targets are, in fact, stretch, and that it expects to see significant progress on all of them, or explanations why progress is not happening and what is being done to address the problems, but not 100 percent target attainment. In business, I am told, they talk about making 75 to 80 percent of stretch targets. I know it sounds counterintuitive, but if we want this continuous improvement dynamic to work well in government, we also need to reset our accountability expectations.

Significant progress has been made on most priority goals, although not without stumbles along the way. Agencies have made progress in a number of other areas, as well, when they applied evidence, experience, intelligence, and good management to tackle specific problems and pursue new opportunities. Forthcoming research by Harvard Kennedy School Professor Steve Kelman and Ron Sanders at Booz Allen Hamilton Inc. finds that good performance management practices are not just being applied to the relatively small number of priority goals, but are increasingly being used by heads of sub-cabinet organizations, as well.

It is my hope that progress is also readily apparent in agencies' new strategic and annual performance plans and reports and that the information in these documents and on Performance.gov will be broadly used, not just by agencies but by Congress and by current and potential delivery partners and other stakeholder. The new set of agency and cross-agency goals, and related strategies, should be conversation starters used to enlist the best minds to find better ways to do business. And in some cases, as with the Partnership for Patients, they should be used to engage local partners who want to adopt the goals and join a learning community to share lessons learned and test ways to improve. If agencies are not already facilitating that, perhaps Congress can help by asking the right questions.

III. Next Steps and Future Challenges

I realize, of course, that the positive picture I am painting may not correspond well to many people's impression of government. In some ways, this is not surprising because progress in government is hardly newsworthy. Few think about government's contribution when government works well – when a plane lands safely, when safe drinking water comes out of the tap, when Social Security funds arrive on time, when a veteran is well-served, when we hear the local weather report, and when a government website works.

Plus, the high volume of people who contact the federal government every day affords plenty of opportunity for negative impressions. As an illustration, the Social Security Administration handled 53 million transactions on its 800 number last year and another 46 million transactions online, plus it delivers benefits to 63 million individuals every month. The National Park System gets 287 million visits each year and the U.S. Fish and Wildlife Service 47 million visitors. TSA screens approximately 1.8 million passengers per day, and the Bureau of Reclamation delivers

water to 1 in every 5 Western farmers and over 31 million people nationwide. The Veterans Health Administration handles more than 83 million outpatient visits each year, and Customs and Border Patrol agents admit almost one million travelers to our country every day. One cranky federal employee handling any one of these interactions badly or making an unintentional error can reinforce negative public perceptions of government.

The most recent Pew Research Center's study on trust, conducted just before the Oct. 16 agreement to end the government shutdown and raise the debt ceiling, found disturbingly low and declining levels of trust in the federal government. The timing of the survey undoubtedly affected the numbers (the shutdown appears to have reversed a small upward climb in trust), but, as Paul Volcker said when he launched the Volcker Alliance, "Trust rests on confidence and too often government, at all levels, in the eyes of its citizens, has been unable to respond effectively to the challenges of the day. There is an urgent need to restore trust and pride in the way our public institutions implement policies."

Applying good performance management practices, Pew sliced and diced its data to aid efforts to identify likely causal factors affecting trust. Pew noted variations in trust patterns for different parts of government and among different types of people surveyed. Interestingly, it found favorable opinions of 12 of the 13 agencies tested despite the high negative views about the federal government overall, with the IRS being the one unsurprising exception.

In truth, though, even without the benefit of a "deep-dive" root cause analysis, it is not hard to find plenty of reasons why trust might be declining and people are unhappy with the way the federal government works.

People

The recruitment and hiring system, both for pre-career and for mid-career employees, is seriously limping and federal internship programs are just plain broken. At the same time, in-service skills training and staff development are too often treated in budgets and appropriations as afterthoughts rather than strategic investments.

It is therefore good to see the Administration target People and Culture, including fixing the federal hiring process, among its cross-agency priority goals. As part of that goal, I hope the Administration pays serious attention to fixing federal internship programs. If we truly want 21st Century government (and what is the alternative?), we need young people with fresh minds, intuitive understanding of the new economy and new technologies, and education about the best and emerging knowledge in government. Sadly, right now, when energetic, educated recent graduates and interns want to work in the federal government, they have a ridiculously hard time getting hired.

I would also like to see the federal government greatly expand the use of borrowed executives and innovators. It is good to see the plan to expand the use of Innovation Fellows as part of the Smarter IT Delivery cross-agency priority goal. I would hope the Administration also plans to apply lessons learned from the Innovation Fellows program to other areas of need, such as performance analysts and economists. Similarly, it would be good to see the Administration set a target for increased use of the Intergovernmental Personnel Act to bring in fresh perspectives, experience, and skills from other levels of government, the non-profit sector, and academia.

Opportunities for improvement in this area are huge if serious attention is given them. Today's federal workforce is, on average, 3.5 years older than the private sector's and getting older every year, in contrast to private sector trends. Interestingly, last year, 25 percent of respondents to the Federal Employee Viewpoint Survey indicated their intent to retire in the next five years. If the federal government takes advantage of the new phased retirement law, this upcoming personnel transition presents a huge opportunity for mentorship, cost savings, and skills updating while retaining invaluable experience and institutional memory.

Congress, I should note, can contribute to the hiring goal by passing legislation proposed by the Administration several years ago in its hiring reform package, only parts of which were enacted into law. The proposal would make it easier for one agency to recruit for others. This authority would be useful, for example, if one agency successfully recruits more highly qualified candidates than it needs, say, in cybersecurity, and other agencies are allowed to hire from its roster. Cross-agency hiring authority would also allow recruitment specialization to develop in different agencies, which undoubtedly makes more sense than expecting every agency to build strong recruitment capacity in all the skill areas it needs.

Contracts and grants

Serious problems exist in other areas, too. The contracting process is insufficiently agile and still not very adept at using past performance in contract-award decisions. The Smart IT Delivery goal should be helpful here, but the need for agility and consideration of past performance needs to be applied beyond the IT area.

Federal grants, too, need to be more agile and performance-focused. Federal agencies that depend on state and local governments to accomplish their objectives need to do more than award grants. They also need to play a strong learning leadership role: studying local experiments or causing that kind of study to occur. They need to support problem-solving and learning networks that figure out the right data to collect; produce analyses useful at the national, state, and local level; encourage continuous experimentation to find incremental improvements; and find effective methods for collecting and delivering data to inform front-line decisions by caseworkers, teachers, local inspectors, and others who often, ultimately, can have the biggest performance impact.

Justice Louis Brandeis once called states the laboratories of democracy. If these laboratories lack scientists to study the experiments objectively and share the findings with others, however, they are of limited value. The Administration's evidence-based efforts, the examples in its evidence-based memo, and recent grant regulation revisions are big steps in the right direction, as is Congressional approval of the performance partnership pilot for disconnected youth. Federal learning leadership needs to be the rule, however, not the exception.

Customer service and audience-focused communication

I previously mentioned the high volume of the federal government's interaction with the public. That is why I am heartened to see three of the Administration's fifteen new cross-agency priority goals take on the customer service challenge: the Customer Service goal, the Smarter IT Delivery goal, and the Open Data goal.

In addition to its work in the intergovernmental context, the federal government needs to think more explicitly about who needs to know what by when to make smarter decisions that lead to better individual and societal outcomes. It needs to learn how to communicate performance data so it motivates and informs constructive change among delivery partners, without paralyzing progress through fear of punishment or embarrassment. The federal government also needs to learn, across programs and agencies, better ways to communicate performance data to inform choice without discouraging those being compared so much that they do not want to improve or organize to bring down the comparative measurement system as has happened in the past.

The Administration's Open Data goal promises to spur a lot of terrific experimentation in this area. I would urge the Administration, as part of this goal, to support evidence building to help federal agencies and others become more sophisticated about effective methods for communicating information to motivate improvement and inform choice.

Benchmarking and evidence-based management

Federal agencies are getting increasingly sophisticated understanding how to use data to guide improvement, but would benefit tremendously from regular benchmarking, as the best businesses do. By this, I mean not only comparing performance where appropriate, but also learning about the best relevant business process methods.

The cross-agency priority goal to establish cost and quality benchmarks to inform agency buying decisions on core/administrative operations, such as human resources, finance, acquisition, and IT, is exciting. I applaud the decision to create common standards and benchmarks to measure shared service utilization, performance, and cost, and to use those standards and benchmarks to drive continuous improvement.

The executive councils, often referred to as the CXO councils, have also proven very helpful in facilitating cross-agency learning, peer feedback, and co-investment. For example, the Performance Improvement Council, composed of the PIOs, has built a robust learning and support network that has helped agencies improve their data-driven reviews, strategic planning, and, with the evaluation community, integration of evidence-based methods and agency performance management practices.

The federal government would benefit from creating other learning networks and benchmarking councils for different program types. For example, the benefit processing programs of the federal government, some of which have garnered unflattering headlines over the years, have much to learn from each other, private sector firms, and academia about inventory and queue measurement and management. It would also be good to promote collective learning on more effective methods for setting goals and measuring performance in areas where a number of agencies undertake similar functions and conventional measurement techniques may not be appropriate, such as for basic research funding or to deter hidden behaviors such as terrorism and human trafficking. A few years ago, the Performance Improvement Council ventured into supporting communities of practice in some of these areas, but lacked the resources to sustain that work over time. I would urge Congress to consider additional support for this kind of work and, in the interim, to consider holding hearings on best public and private practices in key areas to help agencies learn.

Related to this, in order to strengthen evidence-based decision-making, I would urge that program budgets include funding for implementation-focused research as well as funding for literature reviews in relevant subject areas and translation of relevant research to government practitioners and their delivery partners.

Duplication, overlap, and fragmentation

Duplication, overlap, and fragmentation on shared or overlapping policy goals can create serious and frustrating problems, an issue the Volcker Alliance is looking at in one of our first projects on the structure of the financial regulatory system. As exciting as it is to see the Administration's progress setting and managing mission-focused cross-agency priority goals, such as for Science, Technology, Engineering, and Math Education and for Service Members and Veterans' Mental Health, the reality is that the people and culture of the U.S. government, including the organizational structure of the Congress, do not make it easy to manage across organizational boundaries.

Goal leaders for each of these cross-agency priority goals are more likely to succeed if they have not just the resources, but also the authority, to manage the coordination process. Frankly, it is seldom easy to secure even the resources, especially in tight fiscal times. I am optimistic that this will be worked out for the cross-agency priority goals, but the resourcing and authority issue is a very real problem. I don't have a ready solution to this problem, but it is one that warrants serious attention to facilitate progress not just on the cross-agency priority goals but on many other duplication and fragmentation problems.

In closing, it is more essential than ever in this fiscal climate that we manage in smarter, more transparent ways. This is no small task and will require the cooperation of many levels and layers of the federal government.

We at the Volcker Alliance stand ready to help. Indeed, in selected areas, we will lead the charge to catalyze new thinking and convene the partnerships needed to leverage change. We welcome the opportunity to work with this Committee and my fellow panelists to think about ways to manage government better to create a virtuous cycle that motivates an increasingly effective, cost-effective, and accountable government that is truly, as President Lincoln so eloquently put it, of the people, by the people, and for the people.

¹ See, for example, <http://www.businessofgovernment.org/sites/default/files/PerformanceManagement.pdf> and <http://www.businessofgovernment.org/sites/default/files/Performance%20Accountability.pdf>

² For details, see: <http://www.gao.gov/products/GAO-14-436T>



Statement of

Robert Shea

**Chairman,
National Academy of Public Administration
and
Principal,
Grant Thornton LLP**

before the

Senate Committee on Homeland Security and Governmental Affairs

March 31, 2014

For more information, contact:

Robert Shea
(703) 637-2780
Robert.Shea@us.gt.com

Mr. Chairman, Senator Coburn, members of the Committee, I am grateful for the opportunity to speak to you today. I applaud the committee's interest in finding areas in which its focused oversight efforts would have the greatest impact on the government's performance and efficiency.

My experience in working to improve the government's operations comes in part from my time as a staff member of this great committee. In the late nineties, with considerable help from the Government Accountability Office and agency Inspectors General, the committee documented what many agreed were the government's greatest management challenges. The consensus appeared to rest on five major areas: financial management, human capital management, information technology management, acquisition, and performance management.

Report after report showed the extent of the challenges. Agencies took months to produce audited financial statements and couldn't report the extent of their improper payments. Recruiting and retaining the right workforce was difficult for agencies. Information technology projects were often over budget and off schedule. The acquisition system did not support the timely and objective procurement of goods and services. Performance was not as clearly and transparently reported as it should be.

To accelerate progress in these areas, the President's Management Council developed a scorecard with indicators that measured the degree to which each agency's efforts resolved these challenges. Agencies were rated red, yellow, or green based on their progress. For each of the major areas of the scorecard, specific accomplishments were measured. For example;

- In the area of human capital, agencies were measured on the extent to which they were recruiting and retaining employees with the specific skills they needed to accomplish their missions.
- In the acquisition area, agencies were judged based on the savings achieved from public-private competition for commercial services.
- In the area of financial management, agencies were assessed based on their compliance with the government's financial management statutes and the resolution of auditor-identified material weaknesses.
- In the area of information technology, agencies were evaluated based on their success implementing systems on time and within budget.
- In the area of performance management, agencies were judged on their efforts to measure and improve program.

These are just a few examples of the measures included on the scorecard.

What was new at the time was the fact that agency progress was updated and reported publicly every quarter. These updates followed a rigorous review by OMB staff of evidence provided by agencies. I can't emphasize enough just how critical transparency was to how seriously agency leadership took management improvement initiatives. Knowing their scores were going to be

reported publicly made the very top leadership at agencies work very hard to improve in each of these areas. When they got to green, agency celebrations were not unusual.

Government agencies made real progress during this period. Agency financial statement audits are performed more routinely and promptly than in the past. Program improper payments are being reported publicly and are, for the most part, coming down. Employee engagement is being measured and, when it's low, agencies undertake ambitious efforts to turn that around. Billions were saved by subjecting many functions to the pressures of competition.

Despite the good efforts of the President's Management Agenda at the time, I don't think it would be fair to suggest agency challenges related to finance, human capital, information technology, acquisition, and performance have been resolved entirely. But because those measures aren't being reported publicly today, it's difficult to show objectively how agencies are performing in these areas of common concern.

The management improvement initiatives described in the President's FY15 budget offer a renewed opportunity to address many of the government's persistent management challenges. The effectiveness pillar is described as an effort to deliver a world-class customer service experience for citizens and businesses. It includes transformation of many of the government's citizen-facing services and the information technology used to deliver them. The efficiency pillar is described as increasing the quality and value in core operations and enhancing productivity to achieve cost savings. Acquisition reforms and program consolidations are just part of this effort. The economic growth pillar is meant to leverage open government efforts to spur innovation and job creation. The people and culture pillar is described as unlocking the potential of federal employees and building the workforce we need for tomorrow. Finally, the President's budget describes initiatives to improve agency and program results by setting goals and tracking performance.

The government's major challenges fall neatly into the framework described in the President's FY15 budget. And many of the Administration's initiatives promise genuine transformation of agency and program operations with real gains in terms of performance and efficiency. But without clear metrics to gauge progress, it will be difficult to determine whether or not genuine improvement is being achieved.

The good news is that this committee's oversight efforts can move agencies to address common challenges so long as some key ingredients are in place. First and foremost is clear goals. In whatever area you choose, it's imperative you have a common understanding of how progress will be measured. Then, I'm afraid, the committees' members and staff will have to provide consistent, regular attention to ensure progress is sustained. This is the nitty gritty of oversight that often goes unheralded in Washington.

A couple of good examples offer a roadmap. In the area of security clearances, this committee recognized years ago that security clearances were not being made in a timely manner and that

this was impeding agency performance. In collaboration with the Office of Management and Budget, the committee crafted legislative reforms that included graduated time frames by which background investigations were to be performed and security clearances were to be granted. In large part because of the committee's efforts, the federal government's security clearance infrastructure rose to the challenge and met what were originally believed to be unrealistic time frames. Whatever you think of the process today, improvements resulted from the committee's efforts.

In another example, after the Federal Funding Accountability and Transparency Act became law, committee staff were integrally involved in the very difficult process of merging agency systems into an easy-to-use website that reported financial transactions. There were major challenges along the way. The eventual website fell short of the Act's requirements. But at the time, it was the most comprehensive source of federal financial transactions ever built. Whatever progress we made was a direct result of what felt at the time like the committee's constant attention.

In both of these examples, the efforts of the committee were bipartisan. With bipartisan consensus on a couple of priorities, some big problems could be tackled by the committee's efforts. I'm grateful for the opportunity to offer some suggestions on where you might direct that focus.

Of course, the Government Accountability Office's work provides a rich source of material from which to draw suggestions. Its inventory of government overlap and duplication and the accompanying recommendations are a good place to start. GAO's action tracker is a tremendous tool with which to gauge agency progress. Today, according to GAO, agencies have addressed 87 recommended actions, partially addressed 187, and have taken no action on 104. If there is a subset of those 104 recommendations on which you and the Administration agree, I would expect the committee's efforts to produce tangible benefits. Likewise, GAO's biennial High-Risk list provides excellent oversight targets. At GAO's suggestion, the National Academy of Public Administration is convening agency officials and OMB to share ways agencies have tackled high-risk areas in the past and gotten off the list. There are common approaches agencies can take to address these thorny issues. With focused oversight, some agencies or programs on that list might get the nudge they need to address issues raised by GAO and get off the list.

The Administration's evidence agenda is an area in which the committee's focus could pay big dividends. Experience shows that when evaluated using rigorous methodologies, programs are often found not to be as effective as originally thought at solving whatever problem they are designed to address. But over the past decade, the Executive Branch has renewed its efforts to study programs and build a body of evidence of what programs or program approaches work best. The Administration has launched a number of pilot programs and demonstrations to help

determine which strategies lead to better results from taxpayer investments, allowing Federal and State governments to identify the most promising strategies that warrant expansion. Grants management reforms, pay for success programs, and data sharing are all part of this ambitious effort to find and expand what works. Today, we know far too little about which programs work best. If we can move just a fraction of the government's investments into more proven approaches, the results could be dramatic.

While we know little about how programs perform, we know even less about what they cost. Under current policy, agencies are supposed to report annually what it costs to achieve their goals. A number of other laws and rules dictate the extent to which agencies measure and report the cost of their operations. Too few agencies take these efforts seriously, when a study of the cost of programs would invariably uncover waste that can be eliminated. In a time of increasing budget austerity, I can think of no better way to find savings than a considered look at the cost of government agencies and their programs. A lot of the information needed to form the basis of a program cost estimate is included in the Taxpayers Right-To-Know Act, which I know is under consideration by this committee. More important than the reporting of information required by the law would be the use of it to find ways to eliminate waste and reduce cost in program administration.

One of the areas that's gotten a lot of attention from this committee in the past is acquisition. The government is the largest buyer of goods and services in the world. It should have the best buying workforce in the world. But in each of the biennial surveys of acquisition personnel Grant Thornton has conducted with the Professional Services Council, respondents identified workforce resources, capabilities, and training and development of the acquisition workforce as top concerns. The inappropriate use of acquisition strategies, like lowest priced technically acceptable, impedes the ability of the acquisition workforce to apply its judgment to the procurement of goods and services. While statutory reform may be difficult, continued oversight by the committee could address major concerns with the state of acquisition and the acquisition workforce.

Wherever the committee focuses its considerable oversight efforts, success will depend on how clear the goals are and whether you are willing to invest the repeated, persistent attention that similar endeavors have required in the past. When the committee has set clear goals in collaboration with the Administration in the past, measurable progress was made. It's a recipe for success that can produce considerable results.

Comments of the Sunlight Foundation

Homeland Security and Government Affairs Committee

Improving Federal Program Management and Enhancing Transparency

Thomas Lee

March 31, 2014

Chairman Carper, Ranking Member Coburn, and members of the Committee: thank you for the invitation to appear before you today to speak about federal program management and transparency.

My name is Tom Lee and I am the Director of Sunlight Labs, the technical arm of the Sunlight Foundation. Sunlight is a nonpartisan nonprofit dedicated to using the power of the Internet to catalyze greater government openness and transparency. We take inspiration from Justice Brandeis' famous adage that "Sunlight is said to be the best of disinfectants."

Our work on technology and accountability has naturally led to a focus on data and its capacity for improving how government functions. We collect, improve and redistribute a wide variety of types of government data, serving millions of citizens, journalists, watchdogs and researchers. In recent years, spending data has become a particular focus for us, most notably through our analyses of USASpending.gov data quality.

We believe that data about government spending and operations are among the most essential forms of information that a government can publish. This information is a prerequisite to any meaningful analytic effort to maximize efficiency or improve the value received for taxpayer dollars. But its utility extends beyond those important questions. Spending data is one of the clearest measures that citizens have of their government's priorities and effectiveness. It serves as an important antidote to appeals based solely on rhetoric.

We believe that the current administration deserves credit both for its commitment to open data and for its efforts to reduce duplication and waste. In particular, the effort that began with the Federal IT Dashboard to reduce unproductive IT spending is worthy of praise. Agency-led IT projects are particularly prone to failure and in need of stronger oversight. At their worst, such efforts represent complex, large-appropriation engineering projects that are implemented by

contractors and supervised by agency staff that do not have experience managing technical undertakings. The capabilities and incentives within this dynamic create a high potential for waste. The administration's stated commitment to a stronger, centralized supervisory role in such projects is welcome.

We are similarly pleased to see this committee considering the Taxpayer Right to Know Act. This legislation promises to expand the information available to both the public and oversight bodies, and to do so in a way that minimizes the associated disclosure burden. We believe that the existing programmatic description process conducted in connection to the Catalog of Federal Domestic Assistance (CFDA) could be expanded to include the data newly mandated by this act. The CFDA already includes some information about programs' salary costs, statutory authorizations and accomplishments. Making this reporting more granular, uniform and complete promises to substantially increase the usefulness of the CFDA. And because this reporting system already exists, we are optimistic that the costs associated with the Taxpayer Right to Know Act will be minimal.

However, we do wish to urge the committee to consider revisions to the act that would enhance its clarity and effectiveness. In particular, the difficulty of getting meaningful data from the jobs reporting requirements of the American Recovery and Reinvestment Act should serve to underscore the need for imposing a specific, clear methodology upon those reporting such data. For example, the language in the bill calling for counts of "the number of full-time Federal employees" rather than "full-time equivalents" is a potential source of imprecision that could result in data that is difficult or impossible to use effectively.

Similarly, the bill's definition of "services" specifies a criterion for inclusion based upon direct benefits to recipients. In the past, a similar provision in the Federal Funding Accountability and Transparency Act has, in Sunlight's opinion, been used inappropriately by agencies to claim that certain activities, such as the National School Lunch Program, are completely exempt from spending disclosure requirements.

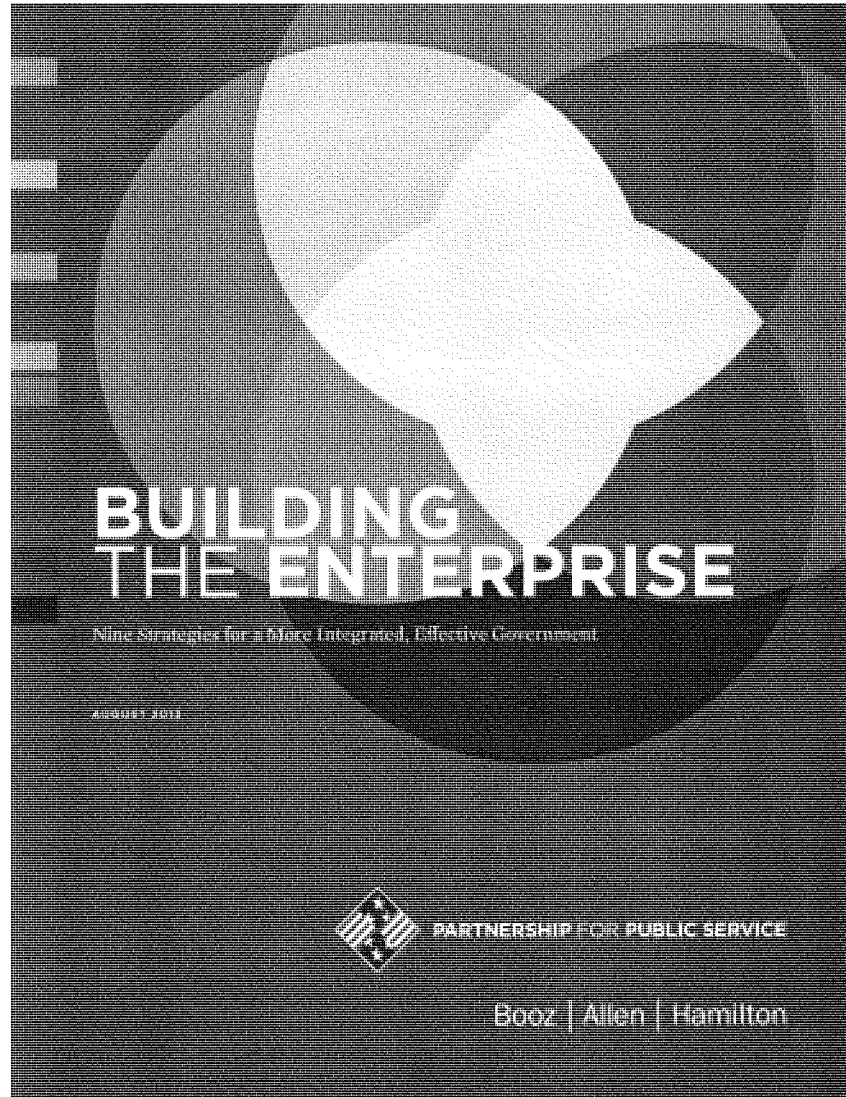
Finally, although it is admittedly beyond the scope of the bill as currently written, we urge the committee to consider addressing agencies' programmatic contract spending. The data quality problems of USASpending.gov, the system's failure to associate disclosed contract data with

specific programs, and the opacity and complexity of the federal procurement system can make it surprisingly difficult to determine how agencies are using private firms to pursue their missions. Consider, for example, the initial difficulty in identifying CGI Federal as the vendor behind healthcare.gov's troubled launch. Yet anyone who spends time in Washington is sure to encounter contractors who perform the same work as agency personnel but at much higher hourly rates. In some cases these arrangements may be well-justified. In others, they may be the product of agency attempts to ignore personnel hiring and compensation standards, to avoid transparency requirements, or simply to obfuscate the degree of investment that a program represents. Collecting and publishing data about the major contracts associated with each program, their size and duration, and relevant employees' average compensation rates would enable oversight bodies to monitor and control program spending far more effectively.

But although we believe these alterations could significantly strengthen the bill, we wish to emphasize our support for the kind of transparency efforts that the Taxpayer Right to Know Act represents. Recent attention to federal spending data, notably including the DATA Act, promises to provide Americans with a more accurate accounting of their government's activities, priorities and options. We believe this will empower policy that is more efficient, equitable and cost-effective.

We welcome your attention to these matters and encourage you to continue to engage with transparency issues as they relate to this committee's work.

Thank you for the opportunity to speak to you today. I look forward to answering any questions you might have.



The success of the War Relocation Authority's camp system is a striking example of the ability of the federal government to respond to a crisis by creating a new government agency and by reorganizing the non-government sector.

From 1941 to 1946, the War Relocation Authority (WRA) provided services primarily to the Japanese American community. Today, the WRA provides services primarily to the US government in defense, intelligence, and civil matters, and to major corporations, institutions, and foundations. The WRA also offers a variety of services, including technical assistance, engineering, and operations, technology, and training, which is combined with specialized expertise in various areas and domains to help solve their toughest problems.

Over the years, the WRA has been a major force in the development of the US defense and intelligence sectors. The WRA has been a major force in the development of the US defense and intelligence sectors. The WRA has been a major force in the development of the US defense and intelligence sectors.

PREFACE

When we launched this project one year ago, our goal was to define and articulate a set of reforms that would help guide the presidential management agenda. We started by interviewing some of the smartest public management experts we know—seasoned practitioners and policy makers who have conceived and implemented government reforms, scholars who have studied and documented reform efforts for years, and executives who are driving management innovation in the public and private sectors.

It was immediately obvious that the task was going to be complicated. Many good ideas were tested during the past two decades by the Clinton and Bush administrations. The Obama administration abandoned some and adopted others in whole or part, and in July 2013 recommitted to strengthening three pillars of its management agenda—improved service delivery, reducing waste and saving money, and increasing the transparency of government data.

While our experts offered a wide range of differing proposals for improving government operations, consensus emerged around two basic themes: one, that fiscal constraints provide both incentive and opportunity to find smarter ways of doing the people's business; two, that the problems our nation faces—from national security to the economy to health care—are growing increasingly complex and cannot be solved by any individual agency. Most challenges today require the collective action of several agencies and, in many instances, the engagement of local, state and international partners in the public and private sectors. The problem is that our government is not set up to easily achieve such unity of effort and often has multiple agencies and programs acting separately to achieve

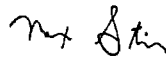
the same or similar outcomes—a hindrance for both the employees who must perform government missions and functions, as well as for those who depend on them.

So the recommendations in this report focus on a central premise: Our government must take a more coordinated, multiagency, whole-of-government approach—in other words, an enterprise approach—to the nation's most difficult and enduring challenges.

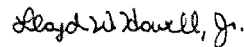
In times of crisis, Americans are very good at rallying around a desired outcome once it has been clearly defined. Defeat the Nazis. Make sure war-torn Japan and Europe survive as democratic societies. Win the race to the moon. Take care of the elderly. Clean the polluted air and water. Fight terrorism. Crises focus us and unify our government. Agencies collaborate and act as one. Government's resources are marshaled and applied. But in the absence of obvious, pressing crises, this unity of purpose and action is the exception rather than the rule. Given the nature of the challenges that our government and nation face, that must change. Our bottom line is that government must approach its work as an enterprise every day to tackle today's critical challenges. Spur economic growth. Reduce joblessness. Fix education. Safeguard food. Halt nuclear proliferation. Secure cyberspace.

By taking a multiagency enterprise approach to those challenges, we can build on the progress of the past two decades, improve the overall performance of the federal government and, in so doing, restore the American public's trust and confidence in it.

The outcome we seek is a federal government that acts as a single, integrated enterprise—not a set of disconnected agencies and programs—in taking on its biggest problems.



Max Stier
President and CEO
Partnership for Public Service



Lloyd W. Howell Jr.
Executive Vice President
Booz Allen Hamilton

THE CASE FOR ENTERPRISE

When Superstorm Sandy wreaked havoc in the mid-Atlantic region during the fall of 2012, the Federal Emergency Management Agency coordinated a massive federal response, drawing life-saving support services from the Department of Defense (DOD), help for utilities from the Department of Energy (DOE), housing assistance from the Department of Housing and Urban Development (HUD), medical teams from the Department of Health and Human Services (HHS) and much more.

The response to the destructive hurricane demonstrated how government can and must act collectively during a crisis and incorporated the lessons learned from missteps seven years earlier during Hurricane Katrina. Perhaps the most important of those lessons was the need for a comprehensive management framework to unify federal, state, local and nongovernmental disaster response efforts. That framework was put in place, and it proved its worth in the aftermath of Sandy.

But coming together as an enterprise only during a crisis is not sufficient. Increasingly, the problems our government faces require that same sort of collective action day in and day out. In other words, the remarkable interagency collaboration we saw during Sandy must become the rule rather than the exception. However, it takes more than just a declaration to that effect. As we learned in the aftermath of Katrina, it takes management rules, procedures and leadership to enable federal agencies to work in a more unified and coordinated manner.

Historically, the federal government has been structured with each department and agency having its own mission. Today's challenges rarely fit into nice, neat bureaucratic boxes. By virtue of its very structure, the federal government does not often act as a single enterprise but typically performs just the way it is organized—as

separate, largely independent agencies that do not integrate and leverage their resources and expertise toward a common end.

Examples of such fragmentation are numerous. The Government Accountability Office's (GAO) 2013 update of government operations that are considered to be high risk cited the 15 agencies that have overlapping responsibility for administering our nation's food safety laws.¹ All have different officials in charge, different chains of command, different budgets and different overseers in both the executive and legislative branches, despite their shared, common mission. It is a testament to their commitment to that mission that it is performed so well, but imagine how much more efficiently and effectively it could be accomplished (and how much safer our food supply would be) if the efforts of those 15 agencies were more integrated and unified.

The GAO also reported that HUD, the Departments of Commerce and Agriculture, and the Small Business Administration operate 53 different economic development programs for businesses in poor and disadvantaged areas. Yet these separate training, counseling, grant and loan programs seldom work in tandem to meet the needs of entrepreneurs or taxpayers. These departments and agencies are attuned to their own missions, budgets, programs and different congressional authorization and appropriations committees even though they all have a stake in a common goal.²

Overlap and redundancy are by no means limited to

¹ Government Accountability Office, *High Risk Series, an Update*, Feb. 2013, 196–201.

² Government Accountability Office, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings and Enhance Revenue*, Feb. 2012, 52–61.

cross-cutting mission areas. They also occur with mission-support functions, such as purchasing goods and services and cutting payroll checks. Suboptimal performance, duplication of effort, inefficiency and wasted resources are the result.

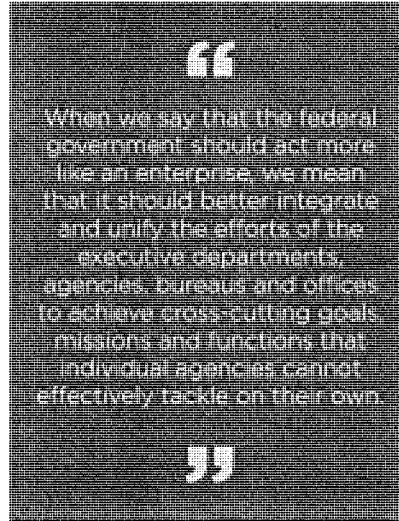
For example, agencies regularly pay too much for commodity purchases because they fail to leverage the combined buying power of the federal enterprise. Thus, while many agencies, such as the Department of Commerce, have consolidated IT hardware and software purchases within their own ranks to save millions of dollars, this same approach applied across government could save hundreds of millions of dollars. Needless duplication and overlap also abound in the government's handling of security clearance background investigations to determine suitability for federal hiring. Multiple agencies have made separate and costly investments in electronic case management and adjudication systems for background investigations instead of working together to create and use a shared system, according to the GAO.³

The president and the executive branch must redouble their efforts to take a more holistic, enterprise approach to the multiagency missions and functions of government.

When we say that the federal government should act more like an enterprise, we mean that it should better integrate and unify the efforts of the executive departments, agencies, bureaus and offices to achieve cross-cutting goals, missions and functions that individual agencies cannot effectively tackle on their own.

While fully recognizing that many challenges require the participation of state, county and local governments as well as private organizations and institutions and international partners, we have chosen to limit the boundaries of this report to

³ Ibid. 79–83.



focus specifically on the operation of the executive branch of the federal government. However, the enterprise approach we advocate is just as necessary in tackling intergovernmental and international challenges, and just as applicable.

Taking the enterprise approach does not mean that government missions and functions must be centralized. That approach has its own set of bureaucratic problems. Nor are we suggesting that current departmental and agency missions be eliminated or that government be massively reorganized. History has shown that restructuring government is a politically charged, expensive and time-consuming process that often has unintended consequences. It typically fails to attack the root causes of a particular issue and, most importantly, diverts attention from solving problems that now mutate faster than any reorganization can match. We need an approach that is as adaptive and flex-

ible as the challenges it is designed to overcome.

The enterprise model described throughout this roadmap meets this objective. Unlike past management reforms, it minimizes the need for legislation or wholesale restructuring. However, it does require more than interagency committees, councils and task forces—the traditional approach when agencies are forced to work together. It will require culture change and commitment by senior leaders, as well as investment in management infrastructure.

The president and the executive branch can employ this new model to address national public policy goals and cross-cutting federal missions, such as securing our nation and its borders, protecting our interests abroad, ensuring food safety, sustaining economic growth and development, assuring a well-trained and educated workforce, fostering public health, facilitating international trade and delivering social

services. Further, applying an enterprise approach will increase savings, result in substantial efficiencies and improve outcomes in cross-governmental administrative functions such as the management of finances, human capital, information technology, procurement and real property.

For example, HUD and the Department of Veterans Affairs (VA) have collaborated successfully on a goal of ending homelessness among veterans by 2015. Under the direction of the departmental secretaries, teams have coordinated the use of HUD vouchers for veterans to rent privately owned housing and targeted VA services such as health care, mental health and substance abuse treatment, vocational assistance, and job development and placement. An interagency team of executives from VA and HUD leads the effort in tandem, providing the two departments with weekly updates on voucher use, along with detailed reports on the status and recent activity of every veteran in the program. Both departments have cooperated to ensure that resources are being properly deployed and goals are being met.

The homelessness initiative came about because of the personal commitment of two Cabinet secretaries, who sent a strong signal that the issue was important, made

clear they wanted their staffs to collaborate and sustained their commitment to dealing in an integrated way with multiple issues affecting veterans. The administration reported that the program has resulted in a 17.2 percent decline in veterans homelessness from January 2009 through January 2012, even in the face of difficult economic conditions and a growing veterans population.

We need to institutionalize this approach as a way of doing business and make sure it is sustained and not dependent on the personality and goodwill of Cabinet secretaries, who after several years may depart and leave cross-agency initiatives without a champion.

What we propose is not without precedent or foundation. The seeds of an enterprise approach to government can be found in the Government Performance and Results Act of 1993 (GPRA) and its progeny, the Government Performance and Results Modernization Act of 2010 (GPRAMA). Together, these statutes provide a basis for agencies to work together in a more coordinated and cross-cutting way.

GPRA is a watershed law that for the first time required agencies to set concrete performance goals, develop strategic plans to achieve those goals, measure their performance

against them, and report their progress to Congress. It also required the Office of Management and Budget (OMB) to craft a government-wide performance plan to provide a perspective across agencies. OMB did so, issuing plans in 1998 and 1999 as part of the federal budget process, but the initiative was subsequently abandoned. As one government expert noted, the government-wide plan was "a document in search of an audience" because "no one felt ownership" in the executive branch or in Congress.

Times have changed. GPRAMA laid the foundation for an enterprise approach to government by requiring the White House to identify and establish a small number of high-priority cross-agency policy and management goals (see following page) and to name goal leaders to coordinate the activities of the multiple programs and agencies that must work together to achieve common objectives.

The good news is that agencies and programs have set targets to meet the overall cross-agency policy goals. These goals have included energy efficiency, job training and veterans' career readiness, as well as management initiatives such as reducing overpayments and strategic sourcing. While progress has been made, initial outcomes have been spotty. High-level administration attention has been missing, and absent the necessary infrastructure to operationalize and sustain that attention, the stove-piped nature of government has remained fully intact.

The administration now has a great opportunity. Without the need for additional legislation, it can make enterprise government a reality by expanding and institutionalizing it, giving it teeth through strong senior leadership engagement and commitment, and creating a management infrastructure.



The Obama administration's cross-agency priority goals

As required by the Government Performance and Results Modernization Act of 2010 (GPRAMA), the Obama administration established 14 cross-agency priority goals requiring collaboration across government. Nine deal with policy initiatives and five center on administrative and management issues.



Exports

Double U.S. exports by the end of 2014.



Energy Efficiency

Reduce energy demand.



Job Training

Ensure our country has one of the most skilled workforces in the world by preparing two million workers with skills training by 2015 and improving the coordination and delivery of job training services.



Real Property

The federal government will manage real property effectively to generate \$3 billion in cost savings by the end of 2012.



Closing Skills Gaps

Close critical skills gaps in the federal workforce to improve mission performance. By September 30, 2013, reduce by 50 percent the gaps for three to five critical federal government occupations or competencies, and close additional agency-specific high-risk occupation and competency gaps.



Entrepreneurship and Small Business

Increase federal services to entrepreneurs and small businesses with an emphasis on start-ups, growing firms and small markets.



Veterans Career Readiness

Improve career readiness of veterans. By September 30, 2013, increase the percentage of eligible service members who will be served by career readiness and preparedness programs from 50 to 90 percent in order to improve their competitiveness in the job market.



Cybersecurity

Executive branch departments and agencies will achieve 95 percent implementation of the administration's priority cybersecurity capabilities by the end of fiscal 2014. These capabilities include strong authentication, trusted Internet connections and continuous monitoring.



Improper Payments

The federal government will achieve a payment accuracy rate of 97 percent by the end of 2016.



Strategic Sourcing

Reduce the costs of acquiring common products and services by agencies' strategic sourcing of at least two new commodities or services in both 2013 and 2014 that yield a savings of at least 10 percent.



Broadband

As part of expanding all broadband capabilities, ensure 4G broadband coverage for 98 percent of Americans by 2016.



Science, Technology, Engineering, and Math (STEM) Education

In support of the president's goal that the U.S. have the highest proportion of college graduates in the world by 2020, the federal government will work with education partners to improve the quality of STEM education at all levels to help increase the number of well-prepared graduates with STEM degrees by one-third over the next 10 years, resulting in an additional one million graduates with degrees in STEM subjects.



Sustainability

The federal government will reduce its direct greenhouse gas emissions by 28 percent and will reduce its indirect greenhouse gas emissions by 13 percent by 2020 from a 2008 baseline.



Data Center Consolidation

Improve information-technology service delivery, reduce waste and save \$3 billion in taxpayer dollars by closing at least 1,200 data centers by fiscal 2015.

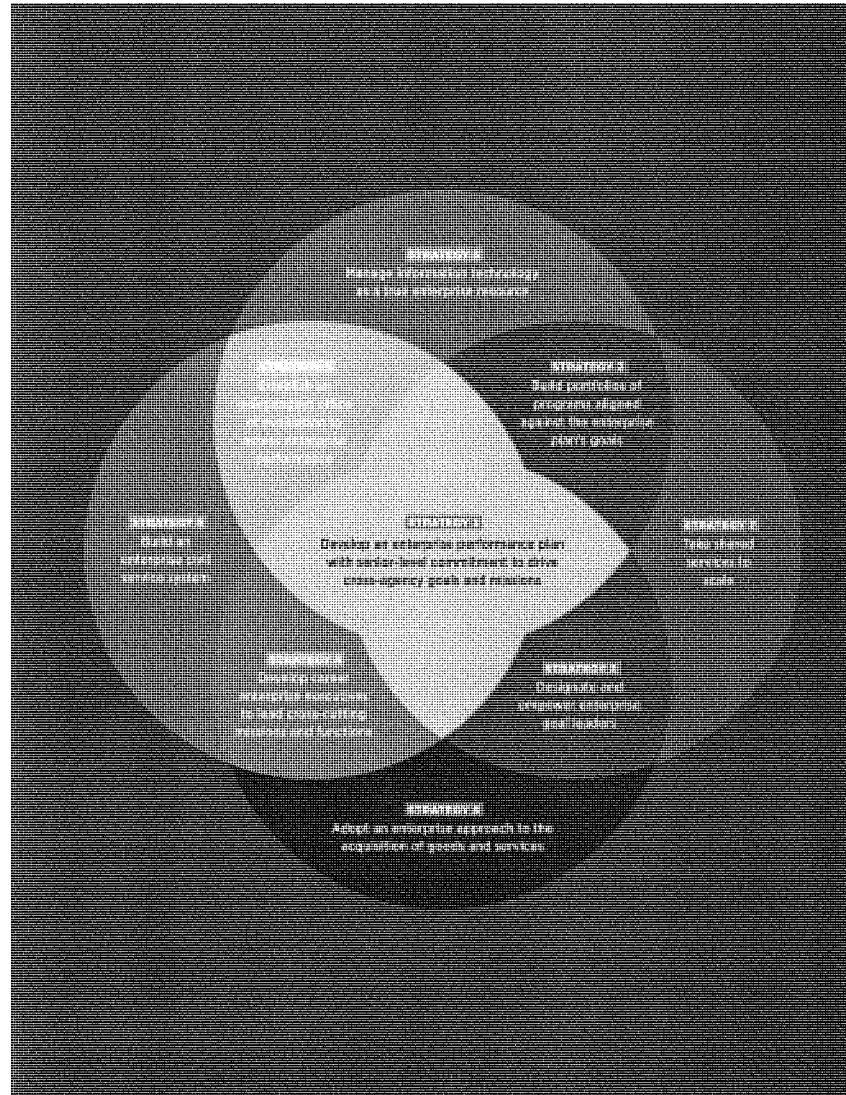
ENTERPRISE STRATEGIES TO MAKE OUR GOVERNMENT MORE EFFICIENT AND EFFECTIVE

Adopting an enterprise framework will allow our government to achieve the results that the American people demand and position it to tackle the major challenges facing the nation. It also will enable government to better husband its resources and reduce programmatic fragmentation and overlap. To that end, we have identified nine overarching strategies that will provide the infrastructure and impetus to take the enterprise approach to scale and ensure that it is not seen or treated as the pet project of one administration and thus become the first victim of the next.

In proposing these strategies, the Partnership for Public Service and Booz Allen Hamilton consulted with more than 50 current and former public officials, business and labor leaders and academic experts to identify those areas in most urgent need of reform. We built on management initiatives of the current and past administrations that are working well and should be continued

and expanded. Our recommendations largely focus on what can be done by the executive branch without action by Congress, although there are legislative changes that could improve the effectiveness of the enterprise approach and that will be needed to make improvements in the civil service.

As one former federal leader bluntly stated, “No agency can solve a complex problem by itself anymore. We’ve moved into a new era.” The Obama administration has taken a first step toward enterprise government by establishing a limited number of interim cross-agency priority goals as directed by Congress under GPRAMA. The law requires the administration to update these goals when it submits its 2015 federal budget. However, we believe the White House should extend the enterprise approach to a broader array of cross-agency goals, missions and administrative functions, and invest in the infrastructure necessary to ensure that this approach becomes the accepted norm.



STRATEGY 1**DEVELOP AN ENTERPRISE PERFORMANCE PLAN WITH SENIOR-LEVEL COMMITMENT TO DRIVE CROSS-AGENCY GOALS AND MISSIONS**

Now that the administration has piloted the initial set of cross-agency priority goals required by GPRAMA, it is time for the president to institutionalize the enterprise model and take it to scale.

We recommend that he start by developing—and, more importantly, publicly committing to—a strategic enterprise performance plan. This comprehensive, government-wide blueprint will identify the broad array of missions and functions (including the top presidential priorities) that can best be achieved by the whole-of-government enterprise. It will set outcome- and time-based goals for enterprise missions and functions. As discussed in strategies 2 and 3, it will put the necessary infrastructure and accountability mechanisms in place to increase the likelihood those targets are achieved.

As noted earlier, this won't be the first time a strategic enterprise performance plan has been attempted. The first attempt in 1998 under GPRA got good marks from GAO, but nonetheless failed in part because there was no presidential commitment and no one was in charge of making sure the plan was implemented.

The plan should be organized around enterprise goals to include the program and policy priorities of the president, such as reducing the unemployment rate of veterans. It also should include enduring missions and functions, such as assuring the safety of the nation's food supply, that are no less important but that have come to be expected by the American people and should not

require presidential attention to ensure success or necessarily change along with administrations.

Each enterprise goal should have a balanced scorecard of quantitative and qualitative performance objectives that commit the agencies involved to tangible individual and enterprise outputs and outcomes. And each goal and set of performance objectives should be specific, measurable, assignable, realistic and time limited. Here again, the administration has laid a solid foundation for what we propose: It already posts the current GPRAMA cross-agency policy and management goals on the Performance.gov website.

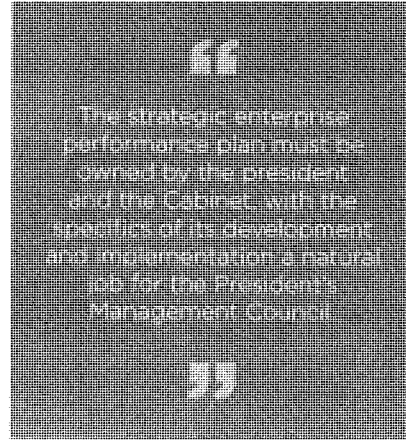
Many experts we consulted argued that the president's budget already serves as the primary blueprint for administration priorities, eliminating the need for a strategic enterprise performance plan. However, the budget is and always will be organized by department and agency—in other words, according to the government's stovepipes—and doesn't effectively communicate presidential priorities to stakeholders. Agency-specific performance plans won't do the trick, either, though they have matured during the two decades since GPRA became law. Neither addresses cross-agency missions and functions and therefore cannot substitute for an enterprise performance plan focusing on matters requiring collective agency activity, and clarifying each actor's role in the achievement of the goals. This approach will begin to address the fragmentation, overlap and duplication of federal programs and ac-

tivities and, more importantly, serve as a blueprint for more effective cross-agency collaboration on those challenges that are truly enterprise in nature.

The strategic enterprise performance plan must be owned by the president and the Cabinet, with the specifics of its development and implementation a natural job for the President's Management Council (PMC). And as a public expression of commitment, the enterprise plan should be included in the president's annual budget submission. In the budget, the enterprise performance plan will orient the executive branch, Congress and the public to an approach that better connects agency and government-wide costs to enterprise results.

The PMC, chaired by OMB's deputy director for management, comprises the chief operating officers of the executive departments and agencies (typically deputy secretaries and deputy administrators), plus the heads of central management agencies, such as the Office of Personnel Management (OPM) and the General Services Administration (GSA). First established in the Clinton administration, the PMC traditionally has served as a coordinating body, undertaking relatively few government-wide initiatives. It works with other councils, such as the Chief Financial Officers Council and the Performance Improvement Council, and oversees the President's Management Advisory Board, a group of private-sector chief executive officers appointed by the president to recommend strategies for implementing best business practices in government.

The time has come for the PMC to take more visible charge of the enterprise. It is ideally suited to develop the enterprise performance plan, supported by staff, and to propose its goals, outcomes and timetables to the Cabinet and, ultimately, to the president, for ratification and endorsement.



In addition, the PMC must play a central role in the plan's execution. It must hold officials, including some in its own ranks, accountable for turning the various components into reality through regular and rigorous performance reviews for each cross-agency priority, mission and management function. Today agencies contributing to the president's cross-agency priority goals are primarily focused on their own programs and initiatives. The plan, with the PMC as the executing entity, can

bring an enterprise focus.

By taking this approach, the White House, the PMC and OMB will send an unmistakable signal that interagency collaboration on enterprise goals must become standard operating procedure and that agencies will be held accountable for acting in the interests of the larger federal enterprise. What's needed is complete buy-in from top federal political and career leadership, not just a directive from the management wing of OMB. ■

STRATEGY 2

BUILD PORTFOLIOS OF PROGRAMS ALIGNED AGAINST THE ENTERPRISE PLAN'S GOALS

The PMC's strategic enterprise performance plan must align and integrate all of the programs that contribute to a particular goal, taking a portfolio approach to that alignment. Such an approach forces a holistic view of the goal's constituent programs and their associated resource-

es. Thus, the portfolio approach will unify the efforts of all the agencies that own those programs.

This involves more than just inventorying the contributing programs, as is being done today with each of the administration's cross-agency priority goals. A portfolio

approach to each enterprise goal should take those inventories to the next level, setting the stage for true integration. The relative resource investments, risks and results of each of the various programs in a portfolio should be considered and analyzed together, and compared in terms of their respective contribution to the enterprise goal and its qualitative and quantitative outcome measures. Each portfolio should spell out the common responsibilities of the agencies and departments involved and include the personnel and other resources needed to achieve the outcomes of the enterprise goal. Some programs will be more costly than others, but their individual results may contribute more to the larger goal. Other programs may be more efficient, achieving better value for the dollar, but their impact on the larger goal may be far less apparent.

The portfolio approach will illuminate the strengths and weaknesses of existing programs and identify duplication as well as gaps. Portfolios of programs, not individual programs, will become the organizational approach to collectively achieve enterprise results.

The state of Maryland is using this approach to tackle the goal of reducing pollution in the Chesapeake Bay, an effort that involves responsibilities from multiple departments, agencies and programs. The tasks, roles, accomplishments and shortcomings of each of the agencies and programs are grouped together on Maryland BayStat, a website that provides for the assessment, coordination and reporting of the restoration effort. Each month, the governor and the various departmental and agency heads meet to assess progress and chart their next steps.

For a portfolio-based approach to be effective, the officials who are being held accountable for achieving enterprise goals must be able and willing to independently assess the programs and resources available to



achieve it, determine their effectiveness, and be empowered to recommend changes to the PMC, OMB and the White House (see Strategy 3). Those leaders, in turn, must be willing to back the integration of programs and help in overcoming institutional and jurisdictional barriers and other vested interests to further the common mission objectives.

Here's an example of an enterprise goal and its accompanying program portfolio, drawn from the GAO's March 2013 list of duplicative and overlapping programs. The goal—reducing the scourge of illegal drugs—is supported by a host of federal drug abuse prevention and treatment programs fragmented across 15 federal agencies. Of the 76 programs, 59 showed evidence of overlap. Even more telling is the lack

of integration and alignment.⁴

Drug prevention and treatment are supposed to be coordinated by the Office of National Drug Control Policy (ONDCP) and could serve as a model of the enterprise approach. But the GAO observed that ONDCP has not conducted a systematic assessment of prevention and treatment programs to determine the extent to which they overlap and where opportunities exist to pursue coordination strategies to more efficiently use limited resources. Thus, while a portfolio-based approach is necessary to executing the enterprise performance plan, it is not sufficient. It also takes leadership. ■

⁴ Government Accountability Office, *Office of National Drug Control Policy: Office Could Better Identify Opportunities to Increase Program Coordination*, March 2013.

STRATEGY 3

DESIGNATE AND EMPOWER ENTERPRISE GOAL LEADERS

Performance plans and portfolios are important tools to define enterprise objectives, but it is strong leadership that will truly move the enterprise. Successful execution of an enterprise performance plan de-

pends on the designation of experienced senior officials to serve as enterprise goal leaders. As a former Cabinet member told us, "There are a lot of great plans out there, but if you don't have the right people to

implement them, they're not going to get done."

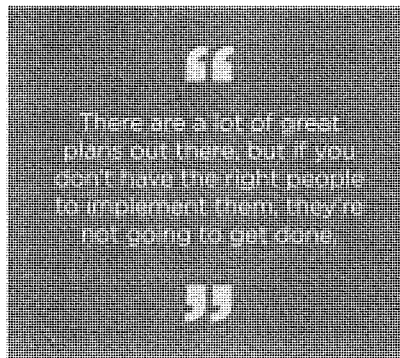
Executive leadership is crucial and, with rare exception, it must be focused and full time. The administration's recent effort to better integrate the various agencies overseeing the export of sensitive technologies provides an object lesson in this regard. Despite an initial push from several Cabinet secretaries and commitment from the White House, the effort has floundered. While initial steps were taken to improve oversight and streamline the interagency process, the status quo remains firmly in place, and the system is still plagued by poor coordination and inefficiencies. The GAO concluded that the agencies involved did not work collectively in a unified way, and it faulted the Obama administration for not assigning responsibility to one agency or leader for addressing the challenges of the entire portfolio of export control programs.

Enterprise goal leaders must have the skills and savvy—as well as the gravitas—to lead multi-agency initiatives or missions and coordinate interagency teams. Our recommendation builds upon the current GPRAMA construct. Under that framework, the president has designated goal leaders for each of the cross-agency priority goals, and those goal leaders are responsible for establishing governance councils and reporting on progress. However, we would go further, providing goal leaders with sufficient bureaucratic muscle over their program portfolios.

Specifically, enterprise goal leaders must be expected and encouraged to take a holistic view of their portfolios, independently assess the portfolio's constituent programs and provide hard-hitting, honest-broker recommendations through the PMC to OMB and, in some cases, to the president on which programs should be contin-

ued, expanded, curtailed or eliminated. Obviously, programs have their own constituencies within departments and outside of government, and Congress plays a critical role and can reject administration recommendations to eliminate or change programs. As the enterprise's board of directors, the PMC should assist goal leaders in managing risk, allocating or realigning resources, pushing cross-functional integration and providing the political backing to ensure that each of the portfolios within the enterprise performance plan are meeting their objectives. In order for the PMC to fulfill these responsibilities, it must be supported by full-time staff provided from departments and agencies for extended periods and placed under the administrative control of the PMC chairman.

To assure their independence, we recommend that all enterprise goal leaders be appointed by the president. Presidential backing matters, no matter how symbolic, and comes with considerable informal authority. An enterprise goal leader's clout may vary depending on the individual's stature and the nature of the enterprise goal. For example, the enterprise performance plan's presidential priorities may be led by Cabinet secretaries, while a cross-cutting mission area or support function may be led by a sub-Cabinet appointee or a senior career executive specially appointed for this purpose. Regardless of rank, all goal leaders would have a performance contract with the president or the PMC tied directly to the execution of the enterprise performance plan. Non-political executives—those drawn from the career SES as well as those recruited from outside the federal government—would serve under special five-year-term critical



pay appointments.⁵

We do not recommend that enterprise goal leaders be given formal, chain-of-command authority over the programs and agencies in their respective portfolios. That would engender massive reorganization, require controversial legislation and elicit overt and covert resistance from government officials and legislators who would view it as a threat to the status quo.

So how are enterprise goal leaders to be held accountable for a set of programs without having formal authority over them? How can an enterprise goal leader expect to get anything done? Enterprise goal leaders will have to demonstrate special enterprise leadership⁶ skills that include the ability to lead without formal authority, build and leverage interorganizational networks and social capital to exercise informal influence, and facilitate interagency collaboration through a shared sense of mission. These interagency

leadership skills are not commonly developed in political or career government executives, so it will take deliberate effort to prepare a cadre of leaders with these enterprise skills if this approach is to succeed (see Strategy 4).

Even though we do not recommend giving enterprise goal leaders formal authority over the programs and the agencies in their portfolios, we would provide them with other powerful but more nuanced levers of bureaucratic power. To start, the fact that they have a direct reporting line to the PMC and the president will give them considerable sway, and their role as honest brokers for the PMC and OMB will add to that influence. We would go further by giving them an opportunity to recommend modifications to budget submissions of the programs in their portfolio, as well as any major program-related regulations those agencies propose. To avoid duplication, we also would have them approve major IT systems their programs propose to acquire. Finally, we would give them the right to provide input to the performance evaluations of the agency executives in charge of their constituent programs.

It also is critical to provide goal leaders with full-time staff. As one OMB official told us, many of today's

⁵ The Internal Revenue Service was given authority for 50 of these critical pay positions, each with a five-year term and pay up to an amount equivalent to the vice president.

⁶ Jackson Nickerson and Ronald Sanders, *Tackling Wicked Government Problems: A Practical Guide for Enterprise Leaders* (Brookings Institution Press, 2013). Ed note: Sanders is a contributor to this report.

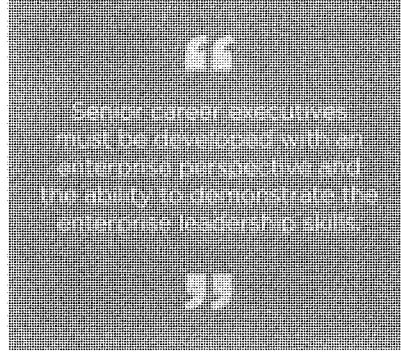
cross-agency goal leaders have managed to make progress even though they have other major responsibilities and no staff support. We can't change the fact that some enterprise goal leaders will have other jobs, but they can be allocated staff to oversee and coordinate the portfolio, including senior career executives to serve as their deputies. Without staff support, goal leaders will be at the mercy of the programs they oversee. That said, we do not advocate the allocation of new staff resources to support goal leaders. Rather, staff would be drawn from the management of the portfolio's constituent programs.

These levers notwithstanding, enterprise goal leaders still will need to build consensus among the agency and program executives in their portfolios, as well as other key stakeholders, on common objectives, strategies, performance and outcome metrics. HUD and DOE took that approach in 2009, agreeing on how they would jointly coordinate the use of stimulus funding to improve energy efficiency of existing homes. That agreement was docu-

mented in a written memorandum of understanding signed by the two Cabinet secretaries, with each department's role, responsibilities and obligations spelled out in detail. Agreeing on mutual expectations, as well as setting ground rules for making and enforcing decisions and resolving disputes, preempts conflict and makes interagency collaboration far more likely. As one federal official said, it is critical to set up a system to "communicate, coordinate and compromise." ■

ment-wide focus, are exactly what had been envisioned when the federal Senior Executive Service (SES) was created 35 years ago. However, that vision has never become a reality. With few exceptions, today's senior executives are agency-centric in experience and orientation, as organizationally stovepiped as the government they serve. Most have remained in the same agency for their entire careers, promoted for their technical skills and never moved across or out of that organization to broaden their experience or expertise. The result: Few are equipped to lead the enterprise.

This must change if the concept of enterprise is to succeed. Senior career executives must be developed with an enterprise perspective and the ability to demonstrate the enterprise leadership skills enumerated earlier. This development must begin before senior executive status is awarded. The intelligence agencies offer an example. Following the tragedy of 9/11 and revelations about the lack of communication among the intelligence agencies, the community now requires all executive candidates to complete one or more interagency assignments of at least a year in duration, as well as specific training in interagency leadership before they can be promoted to se-



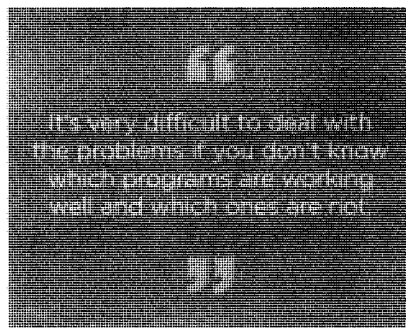
STRATEGY 4

DEVELOP CAREER ENTERPRISE EXECUTIVES TO LEAD CROSS-CUTTING MISSIONS AND FUNCTIONS

The successful federal enterprise cannot depend on just Cabinet and sub-Cabinet appointees to lead it. To be sure, we expect that the president will appoint his most trusted Cabinet secretaries and sub-Cabinet officials to lead presidential priorities included in the enterprise performance plan. However, there are only so many of those appointees to go around. If the concept of enterprise is ever to get to scale, career

executives will have to be utilized. Some may be called upon to serve as the day-to-day deputies of Cabinet-level goal leaders, whose official responsibilities preclude full-time focus. Other career executives may be asked to do even more, taking direct charge of cross-cutting mission areas and support functions.

Are today's career executives up to it? Enterprise executives, with interagency experience and govern-



nior ranks. In effect, the intelligence agencies require a sixth enterprise leadership Executive Core Qualification, in addition to the five now mandated by OPM for promotion into the SES.

We believe OPM should make interagency or intergovernmental experience and enterprise leadership competencies mandatory in order to be selected for the SES. Doing so will take more than just a policy declaration. This will require an enabling infrastructure to broker interagency assignments. It also will require an enterprise executive performance appraisal system to ensure consistent treatment of candidates as they move from agency to agency, a policy OPM has just instituted for all of government. In addition, SES candidate development programs need to be far more robust and far more enterprise-focused than today.

Perhaps the most important enabling mechanism would be the establishment of an Enterprise Executive Resources Board (EERB) to develop and manage government's most senior leadership talent. Today every agency has its own Executive Resources Board (ERB) chaired by a senior appointee such as the deputy secretary or equivalent, comprising the agency's top political and career executives and responsible for de-

veloping and selecting SES members and assigning them to key agency leadership positions. Given the agency-centric focus of ERBs, it's no wonder there is no interagency executive mobility. The only enterprise element of the current senior executive development and selection process is an OPM qualifications review of all new SES members to ensure they meet the five mandatory core qualifications.

The executive resources board model can be applied at the enterprise level. The White House should establish an EERB chaired by OMB's deputy director for management, comprising PMC members, OPM's director and some of government's most respected former career executives. Their job would be to identify,

evaluate and assign a select number of career SES members for enterprise posts, such as deputies to Cabinet- or sub-Cabinet-level enterprise goal leaders, or goal leaders in their own right. Not every SES member would qualify—the elite pool managed by the EERB would be limited to those with interagency experience and demonstrated enterprise leadership skills. Those in the pool would compete for prestigious enterprise leadership positions.

Enterprise executives drawn from career SES ranks, as well as those selected from outside government, would serve five-year-term presidential appointments, be compensated at critical pay levels and have performance contracts with the PMC. At the conclusion of their terms, enterprise executives with career SES status could remain in their current enterprise executive positions, be assigned to other such positions or return to career SES positions in their home agencies. All of these actions would be overseen by the EERB, but administered by OPM executive resources staff. The EERB also would monitor the bench of enterprise-qualified senior executives and even aspiring SES candidates (GS-14s and -15s) to ensure that there is an adequate pipeline of talent to fill enterprise positions as they turn over. ■

STRATEGY

ESTABLISH AN INDEPENDENT OFFICE OF EVALUATION TO ASSESS ENTERPRISE PERFORMANCE

Goal leaders and enterprise executives must be able to rigorously evaluate their portfolios of programs, determining which ones are working and which are not. However, two decades after the advent of GPRA, the federal government is struggling

to measure program performance. Government programs and government officials tend to focus on the budget or the numbers of people served, but they are much less likely to try to link those measures to real-world outcomes.

For example, it is easy to document how much money is budgeted for a particular job training program, how many training classes that money buys, the number of people who apply for and complete classes and even the number who get jobs. However, it is difficult to determine cause and effect, that is whether trainees got jobs as a result of the program.

We recommend the establishment of an Office of Evaluation, independent of agencies, within the Executive Office of the President or OMB, to conduct rigorous performance assessments that will determine if programs are meeting their goals. This information will assist enterprise goal leaders, the PMIC and OMB in making judgments on program effectiveness and on ways to make improvements. As one government official observed, "What has struck me is how few program evaluations are really done. There are 47 employment training programs and only four have had any evaluations. There are some 18 food and nutrition programs and only three of them have had any substantive evaluations. It's very difficult to

deal with the problems if you don't know which programs are working well and which ones are not."

The evaluation office should be positioned, staffed and funded to take full advantage of today's revolution of big data, with access to the government's vast data resources and an analytic staff of the best and brightest evaluators.

The office must be positioned to evaluate the portfolios of related programs, rather than just one or two in isolation, and make judgments on how they contribute collectively and separately to a particular outcome to provide goal leaders with informed assessments.

Since evaluation of government programs can easily become ensnared in politics, the office must be led by a respected career executive on a seven-year term and administratively firewalled from outside influence. Only then can it help goal leaders make hard calls.

In keeping with objectives of transparency and public accountability, the office should provide access to full performance data on portfolios and their programs on

the Performance.gov website, unless classified or containing personally identifiable information. The mission of the assessment office won't be easy. One interviewee noted that assessing and measuring whether programs are producing results will take "relentless, sometimes even ruthless, follow-through."

To get the attention of department and agency officials accountable for programs, the evaluation office should issue program scorecards to make the results of the evaluations clear and impactful. The George W. Bush administration used a scorecard to measure agency progress and effectiveness in each of its five management reform areas. One interviewee noted that President Bush regularly asked Cabinet members about their red, green or yellow status on the scorecard. "I don't know how much he knew about it, or how much the Cabinet heads knew about it, but they knew they didn't want to be red or yellow. It got people's attention." The system used easily understood stoplight ratings—green for success, yellow for mixed results and red for unsatisfactory. »

The five strategies recommended so far focus on improving the effectiveness of departments and agencies as they confront today's cross-cutting mission challenges.

The enterprise approach also will produce order-of-magnitude improvements in efficiency by compelling agencies to integrate across the resource base of the government as a whole. By treating commonly purchased goods and services as elements of a federal commons,

rather than agency property, the enterprise approach will accelerate nascent efforts to reduce duplication. The enterprise will leverage economies of scale and provide or procure better, cheaper common goods and services ranging from email and data storage to personnel and payroll support, and almost everything in between. The approach also will rebuild the civil service as a more cohesive and agile corps. The following are strategies to accomplish these goals.

STRATEGY 6

MANAGE INFORMATION TECHNOLOGY AS A TRUE ENTERPRISE RESOURCE

Information technology services are among the most common services in government. Every agency provides a range of them, from email and data storage to desktop support and server farms. Most recently, agencies have begun deploying cloud-based applications to support everything from time-keeping to supply-chain management. With few exceptions, these services follow the traditional stovepiped model of government, with each agency approaching and duplicating them separately. This situation represents a perfect opportunity to achieve real efficiencies by taking an interagency, enterprise approach to common IT services.

Today the government spends roughly \$80 billion annually on IT—\$55 billion of it on operating and maintaining existing systems, the rest on buying and developing systems. Duplication is rampant and opportunities for enterprise savings are huge.

The Obama administration has directed all federal chief information officers to take a shared approach to providing IT resources. The CIO Council's Federal Information Technology Shared Service Strategy, issued May 2, 2012, directs agencies to "move from independent silos of capability (some of which are duplicative) toward an integrated matrix of shared services that provide IT capabilities across the entire agency."⁷ The administration also has directed agency chief operating officers to lead annual IT portfolio reviews, known as "PortfolioStats," to shore up or end those that are performing

poorly and eliminate those that are duplicative or not well aligned with agency missions or business functions. The process was designed to achieve a savings of 10 percent in IT costs for each agency, 5 percent of which could be given back to agencies to reinvest in citizen-facing, cybersecurity or employee engagement projects, according to Federal CIO Steven VanRoekel.

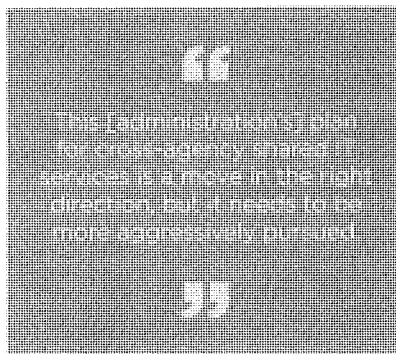
The administration's shared services strategy directs agencies to begin by consolidating commodity IT services such as help desks, email, print and website management, online collaboration and mobile/wireless services, and providing them as shared services within agencies. Then, agencies are to expand the shared-first approach from commodity IT to mission-support IT used in government-wide functions, such as financial and records management. When a business case, including a cost comparison, shows it makes sense to outsource to a cross-agency IT shared service provider, agencies are expected to do so

rather than standing up or continuing agency-specific systems.

This plan for cross-agency shared IT services is a move in the right direction, but it needs to be more aggressively pursued. The focus on enhancing IT capability should be expanded into a portfolio approach to all IT resources across the federal enterprise, not just within agencies.

We recommend that the federal chief information officer and the CIO Council give more power and cohesion to these cross-agency efforts by leading the development and execution of a true enterprise information technology strategy as an initiative under the enterprise performance plan described in Strategy 1. This strategy should bundle IT shared services into portfolios (for example, an email portfolio or a cloud portfolio) and designate goal leaders to maximize each portfolio's enterprise value, functionality, efficiency and effectiveness.

This does not necessarily require a monolithic approach. But it does mean that IT, including physical assets such as data centers and server farms, will be considered enterprise or whole-government assets, not the property of individual



⁷ Executive Office of the President, Federal Information Technology Shared Services Strategy (Washington, DC, May 2, 2012); http://whitehouse.gov/sites/default/files/omb/assets/egov_docs/shared_services_strategy.pdf, Last accessed Jul. 26, 2013.

agencies. Such enterprise IT services could be supported by a multi-year funding mechanism to ensure that agency customers have a voice and a choice in the services and providers available.

The advantages of an enterprise IT approach are especially apparent when it comes to data centers and the cloud. Faced with a proliferation of underutilized agency data centers, the administration in 2010 announced a Federal Data Center Consolidation Initiative calling for closure of 1,200, or 40 percent, of the federal government's 3,133 data centers by the end of 2015. The initiative directed agencies to increase utilization to 60 percent in the centers that remain. By the end of fiscal 2012, 500 centers had been closed. Even more savings and efficiencies could be achieved by consolidating data center capacity and increasing utilization across the federal enterprise, not just within agencies.

An enterprise approach to cloud computing also can yield comparable efficiencies. In 2010, the White House required agencies to adopt a cloud-first policy when considering new information technology acquisitions. It required agencies to move IT data storage and applications from their local servers to networks of remote servers hosted on the In-

ternet, known as cloud computing. But as with data centers, the focus has involved individual agencies moving information to the cloud rather than multiple agencies sharing the same cloud computing resources. The enterprise potential of cloud computing is significant.

For example, the 17 agencies of the intelligence community are considering ways to break their IT silos and operate a single, ultra-secure cloud for the entire community, with CIA and the National Security Agency (NSA) as central providers. The National Geospatial-Intelligence Agency and the Defense Intelligence Agency are expected to provide desktop services, while the NSA is expected to be a central repository for computing applications. This interagency initiative, if embraced by the community, could reduce IT spending through elimination of re-

dundant acquisition, operations and maintenance costs.

Under the central coordination of the Office of the Director of National Intelligence, the intelligence community also deployed a common, classified email system across 17 agencies and six Cabinet departments. Similar interagency enterprise approaches are not just possible, but imperative, for many if not most common IT services.

We applaud and support administration initiatives so far to consolidate IT within agencies. But these initiatives need coherence and greater emphasis to expand to an interagency approach. With the right platform, management structure and funding, the services and functions included in the administration's efforts could be provided across agencies. ■

STRATEGY 7

TAKE SHARED SERVICES TO SCALE

While an enterprise approach to IT services is a positive step in and of itself, it has the added advantage of providing the interagency IT infrastructure to support shared personnel, financial management and oth-

er mission-support services. This enables the expansion of shared services from purely back-office transaction processing to more sophisticated services. In so doing, the federal government could finally realize the full potential of the Bush administration's functional Lines of Business (LoB) initiative, under which federal organizations provide administrative services for a fee to other agencies.

The first sets of LoBs were established by OMB in 2004, focusing on business systems common to all agencies, such as payroll, personnel action processing and basic accounting. OMB required agencies to conduct a cost-benefit analysis of their various support functions. If it showed that outsourcing a support function to one of the interagency shared services providers was cost-effective, then the agency was ex-



pected to take that step.⁸

By 2009, almost all federal payroll services were consolidated among four government-wide shared services providers, and OPM named five interagency providers for personnel services. Today OMB-approved interagency shared services providers include the Interior Department's Business Center, the Agriculture Department's National Finance Center and seven others. These providers offer shared services for budget formulation and execution, geospatial data, information systems security and financial and grants management, in addition to personnel and payroll services.

For the most part, LoB shared services providers have focused on leveraging common business systems such as human resources and financial management to provide interagency customers with back-office and transaction-processing support. This includes such core administrative services as cutting payroll checks and processing promotion actions, posting debits and credits to an agency's operating ledger and tracking procurement contracts.

The original promise of shared services providers has not been met. The vision was that they would assume even more of the government's common administrative workload, including labor-intensive functions such as the interaction between a manager and a personnel specialist before a promotion decision is made and processed. Now it is time to realize that promise.

Additional enterprise efficiencies are possible. For example, the Air Force has consolidated many of its personnel support services for active-duty and reserve military members as well as civilian employees, using a sophisticated combination of online self-service applica-

tions, automated voice-response systems and live personnel specialists to provide near full-time coverage for the department's worldwide force of nearly 500,000.

The Internal Revenue Service's Agency Wide Shared Services organization provides similar consolidated personnel services, such as staffing, labor and employee relations, for its nationally deployed workforce of more than 100,000. If such services can be provided on this scale within complex, diverse and geographically dispersed agencies, they can be provided as an enterprise portfolio to all agencies.

The DOD's more than three million military and civilian personnel are paid through a single integrated payroll system. Its 800,000 civilians are covered by a single human resources information system.⁹ Yet civilian employees still are served by more than 100 separate personnel offices, each providing similar services under almost the same personnel rules using a common human resources information system. This situation is ripe for consolidation. And the Pentagon could offer the service on an enterprise basis to other agencies.

The other HR shared services providers, such as the Treasury Department and the National Finance Center, can and should follow this same path. They already provide transaction-level support to multiple agencies and could build upon that success to offer additional personnel services to their interagency customers at significant savings, such as drafting job applications.

Personnel services are not the only area ripe for an enterprise ap-

proach. The Obama administration has issued a shared-first policy for financial services information technology systems. On March 25, 2013, former OMB Comptroller Danny Werfel directed all agencies to use one of the approved shared services financial management providers to modernize their core accounting systems.

According to Werfel, "the cost, quality and performance of federal financial systems can be improved by focusing government resources on fewer, more standardized solutions that are implemented and operated by more experienced staff." Shared services provided using standardized financial systems will reduce the risks of large, lengthy financial management system implementations and make federal finances more accurate and more transparent, Werfel said. OMB also plans to ensure that financial shared services centers use common standards and requirements so agencies retain the flexibility to migrate among providers.

This is exactly the sort of enterprise approach to shared services that is needed—leveraging common functional requirements, business systems and IT infrastructure to provide mission support in multiple agencies. Indeed, these efforts should be expanded under the auspices of an enterprise goal leader for each of the LoB portfolios, with those goal leaders charged to take them to the next level of enterprise efficiency and effectiveness. ■

⁹ Department of Defense. *Fiscal 2013 Budget Estimates, Defense Human Resources Activity* (Washington, DC, Feb. 2012). http://comptroller.defense.gov/defbudget/fy2013/budget_justification/pdfs/01.Operation_and_Maintenance/O.M.VOL.1.PARTS/O.M.VOL.1.BASE.PARTS/D1IRA.OP-5.pdf. Last accessed Jul. 26, 2013.

⁸ CFO Council. *Federal Shared Services Implementation Guide* (Washington, DC, April 16, 2013).

STRATEGY 8**ADOPT AN ENTERPRISE APPROACH TO THE ACQUISITION OF GOODS AND SERVICES**

Historically, the federal government has taken a decentralized, agency-centric approach to buying goods that practically every organization needs. In short, the government has not taken full advantage of its collective purchasing power to get the best deal for the taxpayer.

Here's a graphic example: Buying individually, agencies spend more than \$500 million a year on cleaning products through nearly 4,000 contracts with 1,200 different vendors. One agency paid \$32 for a case of paper towels, while another paid \$61 for the exact same product.¹⁰ Why shouldn't every agency know about and take advantage of the lower price? This is what enterprise strategic sourcing is all about—agencies using their collective buying power to drive down the prices they pay for common goods and services.

Here, too, there is good news. Beginning with the Bush administration and continuing under President Obama, the federal government has begun to take a more strategic approach to sourcing. However, it has focused on consolidating acquisition strategies and contracts at the department level, rather than across the federal enterprise. We advocate the latter. The government, under the leadership of the Office of Federal Procurement Policy (OFPP) and GSA, should rapidly expand the scope of enterprise strategic sourcing, employing goal leaders, portfolios and cross-cutting accountability.

Already, GSA has implemented a

Federal Strategic Sourcing Initiative. It currently covers four categories of common products and services: office supplies, domestic parcel delivery, print management and wireless telecommunications services. Through the initiative, agencies have saved more than \$200 million on office supplies since July 2010. In fiscal 2011, the domestic parcel delivery services program saved more than \$31 million over what agencies were paying separately for the same services.

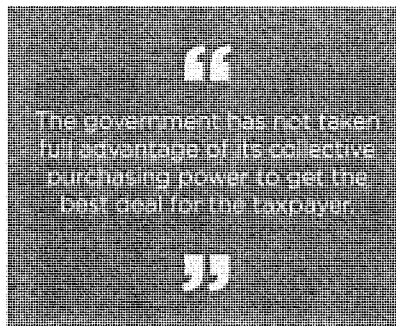
GSA plans to add 10 strategic sourcing categories through 2015. To give this effort even more impetus, OMB last year created a leadership council to expand the initiative and directed each agency to name a strategic sourcing official and source at least two new products a year in 2013 and 2014. This council has been charged with identifying five new commodities and services a year through fiscal 2014, along with executive agents to develop the contracts.

This is fine as far as it goes, but it is a cautious approach. To move

strategic sourcing from being a best practice to a mandate, the president should designate the head of OFPP as the federal chief acquisition officer (CAO) with administrative authority equivalent to the federal CIO. The federal CAO should develop and execute a comprehensive enterprise acquisition strategy. That strategy should include goals for responsibly expanding enterprise-wide strategic sourcing for common goods and services, consolidating multiple-award contracts, making prices transparent and increasing share-in-savings contracting where appropriate. Achieving these goals will drive down the prices and improve the quality of the myriad goods and services the government buys. The EERB, in consultation with the CAO, also should designate enterprise goal leaders for each of these initiatives.

The enterprise acquisition strategy should greatly enhance the federal government's enormous buying power. It should consolidate the government's demand for commodities, such as cleaning products, to obtain massive quantity discounts.

For goods and services that aren't amenable to strategic sourcing, government still can take an enterprise approach by making the results of all transactions available to all government buyers and sellers.



¹⁰ Dan Tangherlini, "GSA to Launch 10 Strategic Sourcing Initiatives," GSA Blog, Jan. 10, 2013, <http://gsablog.gsa.gov/gsablog/2013/01/10/gsa-to-launch-10-strategic-sourcing-initiatives>. Last accessed Jul. 26, 2013.

And it's not just pricing information that is valuable.

For many years, agencies only had access to other agencies' procurement data through the Federal Procurement Data System and USASpending.gov. They can find only high-level information, such as total amounts spent on contracts, contract type, the name and location of vendors and ordering officers. More granular information, such as the labor costs embedded in a particular service contract, is far more useful but difficult to find. Agencies rarely share the details beyond what is publicly available so that others can take advantage of their lessons learned. Though some of the information is proprietary, much can be shared.

For example, GSA could create a government-wide collaboration site identifying upcoming solicitations and existing agency blanket purchase agreements so other agencies could see whether an item or service

already has been, or is in the process of being, procured by another agency.

These improvements are moving in the right direction, but they could be driven faster and more comprehensively under the direction of an enterprise goal leader and team charged with lifting the veil on prices, costs, successful negotiation strategies and other procurement techniques across all agencies.

Strategic sourcing, expanded use of multiple-award contracts, procurement and pricing transparency all can be applied at the department or agency level for positive effect. But for tens of thousands of commonly purchased goods and services, they work best and save more money when they are applied across the enterprise. Without a government-wide CAO and enterprise goal leaders to drive these strategies, they are not likely to happen rapidly or comprehensively. ■

and govern every federal agency.

The system should be based on state-of-the-art human capital practices, with a market-sensitive compensation system, recruiting and hiring practices in line with today's career patterns and a reward system that reinforces high performance.

The current system, codified in Title 5 of the U.S. Code, is federal in name only. As it has aged, agencies both large and small have broken from its ranks, cutting their own deals with Congress for personnel flexibilities to further their unique missions. The list is long, ranging from DOD and the Department of Homeland Security—which have not fully used the flexibilities they were given—to the Internal Revenue Service, the 17-agency intelligence community and the agencies that oversee the banking and financial services industries. The result is a balkanized system of “haves”—agencies whose human capital systems have been exempted from general civil service rules—and “have-nots,” those still mired in laws and rules first established in 1949. Employees working in “have-not” agencies cannot transfer to “have” agencies without competing, even at the senior executive level.

Significant changes are needed if we expect the federal government to act as an enterprise. This doesn't mean a system that mandates one-size-fits-all rules or forces the “have” agencies back in the box. Rather, it means taking advantage of the lessons learned by agencies that have broken free from Title 5 to develop a civil service system up to the challenges of 21st-century government.

The Partnership for Public Service and Booz Allen Hamilton will release a detailed framework for this new enterprise civil service system later this year, but given its importance to our overall enterprise strategy, its basic architecture and approach are worth describing here.

Upon adopting the core anchor-

STRATEGY 3

BUILD AN ENTERPRISE CIVIL SERVICE SYSTEM

The proposals outlined thus far revolve around a common theme: leading and managing the whole of government as an integrated enterprise with a cross-cutting strategy, management infrastructure and leadership. But none of these strategies will be successful without also taking an enterprise approach to managing government's most important resource—its people. This requires the federal civil service to be rebuilt, modernized and better integrated to confront cross-agency program and policy priorities.

Today's federal civil service system is obsolete. Its major components were last retooled more than four decades ago. The civil service

today reflects the needs and characteristics of the last century's government work and workforce, not those required for today's complex, inter-agency challenges.

A revitalized and revamped civil service system should ensure that federal agencies can attract, motivate and retain skilled, energized and engaged employees who can be deployed where needed to support the enterprise without compromising core civil service principles that have defined the American civil service since its inception—merit, political neutrality, veterans preference, due process, collective bargaining and non-discrimination. These values are inviolable and should guide

ing principles, we would construct a set of common policies and practices that are so fundamental that they, too, should cover every federal agency, regardless of mission or circumstance—for example, a common but modernized job classification system to ensure generally equal pay for equal work across agencies and a common, market-based compensation regime tied to that classification structure to ensure parity with the U.S. labor market. A common senior executive corps—today there as many as seven—would foster interagency mobility and the development and deployment of the cadre of leaders so critical to enterprise government.

The enterprise civil service system we propose is not rigid. There is too much variety—in statutory base, size and scope, mission, constituency and budget—across the federal enterprise to force lockstep uniformity. Instead, it would balance commonality at the core with built-in agency flexibility. Thus, agencies would be given considerable discretion—more so than today's rules allow—to tailor elements of the common structure to meet their own unique needs so long as they stay

true to the system's foundational elements and parameters.

For example, we would permit agencies to customize salary rates for mission-critical occupations, promotion and career patterns, performance management policies and a host of other workplace practices.

Consistent with today's demonstration authority, we would afford agencies the authority to customize even components that are intended to be common across the enterprise, subject to collective bargaining where required. An agency would earn approval to operate a customized system by demonstrating high mission performance, including employee engagement and high internal integrity, as well as by showing that it has the human capital and leadership capacity necessary to operate responsibly outside the lines. This autonomy would have to be periodically reexamined and renewed.

Such a civil service system would improve the ability of the enterprise to recruit and retain our nation's best and brightest talent. Nonetheless, much would depend on the substance of the human capital policies. And if there is one lesson we have learned over the decades

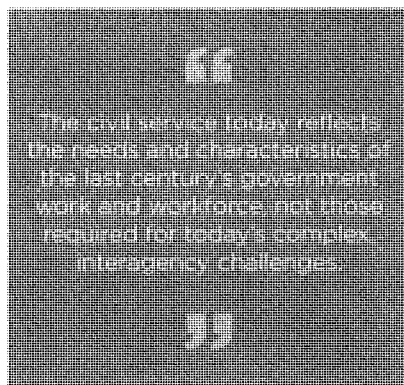
since the last time the civil service system was modernized, it is the importance of strategic human capital planning.

Thus, OPM should devise an enterprise strategic human capital plan with consultation from enterprise goal leaders and ratified by the PMC. The plan would have two primary purposes. First, it would look into the near- and medium-term future to address critical, cross-cutting human capital challenges affecting most agencies—for example, recruiting and retaining talent in cybersecurity and science, technology, engineering and math.

The second purpose would be to continuously assess the enterprise efficacy of human capital policies and strategies. This rarely is done today.

OPM evaluates individual departments and agencies, mostly from a compliance standpoint. But it has not stepped back to evaluate from a whole-of-government perspective regarding how well the General Schedule classification system stacks up against state-of-the-art private-sector practices, the effects of pay freezes on retention or the value of tuition loan repayment on recruiting talent. Such comparisons largely have been left to the GAO or the Merit Systems Protection Board. Both do a credible job, but their studies rarely translate into action.

This would change under an enterprise strategic human capital planning process that regularly considers such issues, assesses their impact on the ability of agencies and enterprise goal leaders to recruit and retain talent, and proposes and puts into effect medium- and long-term steps to address human capital needs. ■



CONCLUSION

On July 8, 2013, President Obama told his Cabinet to develop an “aggressive management agenda ... that delivers a smarter, more innovative and more accountable government for its citizens.”

The president said he wants this agenda to build on his first-term objectives: the delivery of services that citizens expect in smarter, faster and better ways; identification of new ways to reduce waste and save taxpayers’ money; and an increase in transparency by opening huge amounts of government data to the American people.

We wholeheartedly agree with these goals, but believe the administration has the opportunity to go even further by embracing the strategies in this report. The president could accomplish all he has outlined and a great deal more by taking a coordinated enterprise-wide approach to managing government missions and internal operations rather than relying on the narrow program- and agency-centric framework now in place.

In fact, the Obama administration is pursuing many elements of it already. The Government Performance and Results Modernization Act of 2010 provided a foundation for moving government in this direction, and the administration has named goal leaders who are implementing a series of cross-agency priority goals. OMB and GSA are spearheading an expansion of strategic sourcing, and the federal CIO and CIO Council are helping agencies find economies and efficiencies through shared services and resources.

What remains is to join these disparate efforts into the aggressive agenda the president seeks and to drive them to full-scale execution. President Obama and his management team can accomplish this by making enterprise government the focal point of management reform. This will take sustained attention, enthusiastic evangelism, powerful leadership and unity of purpose. Though much of what we recommend is within the power of the executive branch to attain, truly achieving enterprise government will take coordination and consultation with those members of Congress who value and support improved government performance and some legislative changes.

The success of this management agenda depends on the care, dedication, talent, expertise and evidence employed in crafting the enterprise performance plan that is at its core. Drafting it must be the top priority of the President’s Management Council and a key accomplishment of the Cabinet and White House staff. Enterprise government cannot endure unless the president and the management council name a cadre of excellent, capable and intrepid goal leaders. And they cannot overcome the stovepipes of current agency structure without a willing, well-prepared, mobile and modernized civil service.

These are not small changes. They will not be achieved without collaboration and contention. Yet they are unavoidably necessary lest we fail in effectively performing government’s critical missions. No single agency can accomplish any one of them alone, especially in this era of austerity.

APPENDIX A**SAMPLE PORTFOLIO: FEDERAL DRUG TREATMENT AND PREVENTION PROGRAMS**

The table below offers a look at just a portion of what would be included in an enterprise portfolio—in this case, a listing of the multiple departments, agencies, programs and their roles in federal drug treatment and prevention programs. As reported by the GAO in March 2013, federal drug abuse prevention and treatment programs are fragmented across 15 federal agencies that administer 76 programs that are all or in part intended to prevent or treat illicit drug abuse. Of the 76 programs, 59 had evidence of overlap.

AGENCY AND SUBAGENCY	NAME OF PROGRAM	PROGRAM TYPE
Department of Defense	Drug Demand Reduction Program	N/A
DOD civilian agencies	Civilian Employee Drug-Free Workplace Program	Prevention
National Guard Bureau	National Guard Bureau Prevention, Treatment and Outreach Program	Prevention
U.S. Air Force	Air Force Drug Demand Reduction	Prevention
U.S. Army	Army Substance Abuse Program	Prevention and treatment
U.S. Marine Corps	Marine Corps Community Services Substance Abuse Program	Prevention
U.S. Navy	Navy Alcohol and Drug Abuse Prevention	Prevention
	Substance Abuse Rehabilitation Program	Treatment
Department of Justice		
Bureau of Prisons	Community Transitional Drug Abuse Treatment	Treatment
	Drug Abuse Education	Prevention and treatment
	Non-Residential Drug Abuse Treatment	Treatment
	Residential Drug Abuse Treatment	Treatment
Drug Enforcement Administration	Demand Reduction Program	N/A
Office of Justice Programs	Drug Courts	Treatment
	Enforcing Underage Drinking Laws	Prevention
	Justice and Mental Health Collaboration Program	N/A
	Residential Substance Abuse Treatment	Treatment
	Second Chance Act Adult Offenders with Co-Occurring Substance Abuse and Mental Health Disorders	Treatment
	Second Chance Act Family-Based Adult Offender Substance Abuse Treatment Program, Planning, and Demonstration Projects	Treatment
Department of Transportation		
Federal Aviation Administration	Employee Drug and Alcohol Testing Program	N/A
	Flight Attendant Drug and Alcohol Program	N/A
	Human Intervention Motivation Study	N/A
National Highway Traffic Safety Administration	Drug Impaired Driving Program	N/A

AGENCY AND SUBAGENCY	NAME OF PROGRAM	PROGRAM TYPE
Department of Education	21st Century Community Learning Centers	N/A
	Safe and Supportive Schools	N/A
	Save Schools/Healthy Students	Prevention
Executive Office of the President		
Office of National Drug Control Policy	Anti-Doping Activities	Prevention
	High Intensity Drug Trafficking Areas	N/A
	Youth Drug Prevention Media Program	Prevention
Federal Judiciary		
Administrative Office of the U.S. Courts	Court Ordered Substance Abuse Testing and Treatment	Treatment
Department of Health and Human Services		
Health Resources and Services Administration	Health Center Program	N/A
	Ryan White HIV/AIDS	N/A
Indian Health Service	Urban Indian Health Program Title V 4-in-1 grants	Prevention and treatment
	Alcohol and Substance Abuse Self Determination Contracts	Prevention and treatment
	Methamphetamine and Suicide Prevention Initiative	Prevention and treatment
	Youth Regional Treatment Centers	Prevention and treatment
	Tele-Behavioral Health Activities	Prevention and treatment
Substance Abuse and Mental Health Services Administration (SAMHSA)	Access to Recovery	Treatment
	Assertive Adolescent and Family Treatment	Prevention and treatment
	Capacity Building Initiative	Prevention
	Center for the Application of Prevention Technologies	Prevention
	Community-Based Coalition Enhancement Grants	Prevention
	Drug Free Communities Mentoring Program	Prevention
	Drug Free Communities Support Program	Prevention
	Ex-Offender Reentry	Treatment
	Fetal Alcohol Spectrum Disorders Centers for Excellence	Prevention
	Grants to Serve Young Children and Families Affected by Methamphetamine	Prevention and treatment
	Historically Black Colleges and Universities Grant	N/A
	Homeless Grants for the Benefit of Homeless Individuals	Treatment
	Minority AIDS Initiative Targeted Capacity Expansion	Prevention and treatment
	Minority HIV Prevention	Prevention
	National Adult Oriented Media Public Service Campaign	Prevention
	Native American Center for Excellence	Prevention

AGENCY AND SUBAGENCY	NAME OF PROGRAM	PROGRAM TYPE
SAMHSA (cont.)	Partnership for Success	Prevention
	Physician Clinical Support System Project-Buprenorphine	N/A
	Physician Clinical Support System Project-Opioid	N/A
	Residential Treatment for Pregnant and Post-Partum Women	Prevention and treatment
	Ready to Respond	Prevention
	Recovery Community Services Program	Treatment
	Screening, Brief Intervention and Referral to Treatment-Medical Schools/Residency	N/A
	State Screening, Brief Intervention and Referral to Treatment	Prevention and treatment
	Strategic Prevention Framework State Incentive Grants	Prevention
	Substance Abuse Prevention and Treatment Block Grant	Prevention and treatment
	Targeted Capacity Expansion General Grants to Expand Care Coordination Using Health Information Technology	N/A
	Targeted Capacity Expansion General Technology Assisted Care	Treatment
	Treatment Drug Courts-Adults	Treatment
	Treatment Drug Courts-Juvenile	Treatment
	Treatment Drug Courts-Adult (Joint with the Bureau of Justice Assistance)	Treatment
	Treatment Drug Courts-Juvenile (Joint with the Office of Juvenile Justice and Delinquency Prevention)	Treatment
	Underage Drinking Prevention Education Initiative	Prevention
Department of Housing and Urban Development	Emergency Solutions Grants	N/A
	Supportive Housing Program	N/A
	Housing Opportunities for Persons with AIDS	N/A
Department of Labor		
Employment Training Administration	Job Corps	N/A
Department of Veterans Affairs		
Veterans Health Administration	Substance Use Disorder Outpatient Program	Treatment
	Substance Use Disorder Residential Program	Treatment

Source: "Office of National Drug Control Policy: Office Could Better Identify Opportunities to Increase Program Coordination," GAO-13-353, March 26, 2013, <http://www.gao.gov/products/GAO-13-353>. Last accessed Jul. 26, 2013.

APPENDIX B CONTRIBUTORS

Admiral Thad Allen
Executive Vice President, Booz Allen Hamilton
Former Commandant, U.S. Coast Guard

John Berry
Former Director
Office of Personnel Management

Jonathan Breul
Former Executive Director
IBM Center for the Business of Government

Lisa Brown
Former Executive Director
Office of Management and Budget

Dustin Brown
Acting Associate Director for Performance
and Personnel Management
Office of Management and Budget

Tom Davis
Former U.S. Representative, Virginia

Ed DeSeve
Senior Fellow, James MacGregor Burns Academy
of Leadership, University of Maryland
Former Deputy Director, Office of Management and Budget

Frank DiGiammarino
Director, Innovation and Global Expansion, World
Wide Public Sector, Amazon.com
Former Senior Advisor, Office of Strategic
Engagement, White House

Gene Dodaro
Comptroller General
U.S. Government Accountability Office

W. Scott Gould
Former Deputy Secretary
U.S. Department of Veterans Affairs

Stephen Goldsmith
Daniel Paul Professor of Government, John
F. Kennedy School of Government
Former Mayor of Indianapolis

Todd Fisher
Global Chief Administrative Officer
KKR & Co., L.P.

Leon Fuerth
Executive Director, The Project on Forward Engagement
The George Washington University

Frank Hodsoll
President, Resource Center for Cultural Engagement
Former Chairman, National Endowment for the Arts

Kenneth Juster
Managing Director
Warburg Pincus

Don Kettl
Dean, School of Public Policy
University of Maryland

John Koskinen
Director, Board of Directors, The AES Corporation
Former Non-Executive Chairman, Freddie Mac

Vivek Kundra
Executive Vice President of Emerging Markets, Salesforce.com, Inc.
Former Federal Chief Information Officer

Chris Mihm
Managing Director for Strategic Issues
U.S. Government Accountability Office

Elizabeth McGrath
Deputy Chief Management Officer
U.S. Department of Defense

Shelley Metzenbaum
Founding President, Volcker Alliance
Former Associate Director for Performance and Personnel
Management, Office of Management and Budget

Tom Monahan
CEO
Corporate Executive Board

Sue Myrick
Former U.S. Representative, North Carolina

Sean O'Keefe
Chairman and Chief Executive Officer, EADS North America
Former Administrator, National Aeronautics
and Space Administration

Paul Posner
Director, Center on the Public Service, George Mason University
Former Managing Director, U.S. Government Accountability Office

Steven Preston
Former Secretary
U.S. Department of Housing and Urban Development

Franklin Raines, III
Former Chairman and CEO
Fannie Mae

Charles Rossotti

Former Commissioner
Internal Revenue Service

Lynn Scarlett

Visiting Scholar and Co-Director, Center for Management
of Ecological Wealth, Resources for the Future
Former Deputy Secretary, U.S. Department of Interior

Hannah Sistare

Former Executive Director
Volcker Commission

Matt Sonnesyn

Director of Research
Business Roundtable

Dan Tangherlini

Administrator
General Services Administration

David Walker

President and CEO, Comeback Initiative
Former Comptroller General, U.S.
Government Accountability Office

Darrell West

Vice President and Director, Governance Studies
The Brookings Institution

Danny Werfel

Acting Commissioner, Internal Revenue Service
Former Controller, Office of Management and Budget

Steve VanRoekel

U.S. Chief Information Officer and Administrator,
Office of Electronic Government
Acting Deputy Director for Management
Office of Management and Budget

Booz Allen Hamilton

Ron Sanders, Vice President
Dave Mader, Senior Vice President
Mike Isman, Vice President
Gordon Heddell, Senior Executive Advisor
John Cataneo, Senior Associate
Chris Long, Principal

Partnership for Public Service

Lara Shane, Vice President for Research and Communications
Max Stier, President and CEO
Sally Jaggar, Project Lead and Strategic Advisor
Seth Melling, Associate Manager
Bob Cohen, Writer/Editor
Bevin Johnston, Creative Director
Anne Laurent, Senior Program Manager



PARTNERSHIP FOR PUBLIC SERVICE

1100 New York Avenue NW
Suite 200 East
Washington DC 20005

(202) 775-9111
ourpublicservice.org
CFC# 12110

Booz | Allen | Hamilton

13200 Woodland Park Road
Herndon VA 20171

(703) 984-1000
boozallen.com



**Post-Hearing Questions for the Record
Submitted to Max Stier
By Senator Claire McCaskill**

“Management Matters: Creating a 21st Century Government – Part II, Outside Views”

March 31, 2014

One of the management ideas that was supported by a number of panelists at the hearing was reform of the civil service, including the Senior Executive Service (SES).

- 1) What do you believe are the biggest impediments to recruitment and retention of private sector workers who might be interested in serving as senior executives within the federal bureaucracy?**

According to data from OPM for the first three quarters of FY12, just eight percent of new executives were hired from outside government. The other 92 percent of executives moved up from within their agency to the SES, the majority hired from the same subcomponent.

The Partnership published a report with McKinsey & Company in July 2013, called “Building the Leadership Bench,” which examined the leadership pipeline for the SES. In our report, we found that one of the greatest barriers to attracting talent from outside government at the executive level is the federal hiring process. The majority of agencies do not allow candidates to apply with a traditional resume. Instead, most agencies require candidates to submit lengthy narratives that explain how they meet the Executive Core Qualifications (ECQ’s), which are incredibly time consuming. This lengthy application process turns top talent away, especially when senior-level talent is accustomed to applying for a job in any other sector with a resume. This administration has mandated resume-based hiring for the General Schedule and we would like to see them do this for the SES, as well. Congress could also signal its support by passing legislation requiring agencies to accept resumes for executive positions, at least for the first round of consideration.

We also found that job announcements are often written in a way that discourages external candidates from applying. For example, a job announcement should not require non-essential experience that only a current federal employee is able to attain, such as “experience implementing the Paperwork Reduction Act,” as one interviewee told us. Agency executive resource staff and hiring managers should work together to ensure that SES job descriptions reflect the essential skills and previous experience necessary for the position.

When agencies do hire executive talent from outside government, it is critical that they provide a robust onboarding experience to help them acclimate to the federal environment. We believe mentoring can play a critical role, as well. The absence of either or both of these can serve as an impediment to the retention of highly qualified executives who have private sector experience.

One of my biggest ongoing concerns with the SES pay for performance system is that SES bonuses have come to be seen as a right rather than a reward for exceptional performance.

- 2) Is there any evidence that pay for performance has improved either the SES applicant pool or agency performance?**

The pay for performance system for senior executives is intended to incentivize agencies to make meaningful distinctions in performance and reward those employees who have done exceptional work. However, there is an argument to be made that the pay for performance aspects of the SES pay system have never been given a chance to work over a sustained period of time due to the difficult and uncertain fiscal environment for a number of years. We have seen executives undergo pay freezes, limits on bonuses and a temporary hold on the Presidential Rank Awards, for example.

Many executives report that pay is not a huge factor in joining the SES. Federal employees often take on increasing levels of responsibility at the executive level and, as a result of pay compression, even with bonuses they may make significantly less than their counterparts in the private sector.

However, we also know that executives want to be recognized and rewarded for the hard work they do in a way that is fair and transparent. According to Partnership analysis of the Federal Employee Viewpoint Survey, pay is one of the top three drivers of employee satisfaction and commitment among the SES. If employees feel appreciated and satisfied with their workplace, they will be more likely to give their discretionary effort on the job, which will ultimately impact organizational performance.

Ultimately, we believe that if given a chance, and with appropriate resources and a strong performance management system in place, the pay for performance system will improve agency performance.

3) Are there lessons for the government that can be taken from how the private sector measures the performance of individual managers?

In large, high-performing private sector organizations, managers' success is based not only on their ability to deliver profits and achieve organizational goals, but also on their demonstrated ability to lead and manage people. For example, long-standing, admired companies like General Electric have a tradition of defining and quantifying key measures of "leading people" (i.e., employee satisfaction, direct reports' results, etc.) in executive performance contracts. Even new economy tech companies like Google take people management seriously. In fact, Google performed an in-depth analysis of their leaders' business results and discovered that it was a manager's ability to lead people that led to the greatest business successes in the company. As a result, they re-engineered their leadership recruiting, hiring, training/coaching and performance management to focus on assessments and measurements around effectively managing and leading people.

While leading people is increasingly one element in the performance standards for federal executives and managers, it can and should be given greater weight. This is especially relevant for government since delivering profits is not a factor and, for many agencies, even achieving measurable outcomes can be challenging. Some federal agencies, such as the Department of Transportation (DOT), are placing a heavy emphasis on leading people. In 2012, the DOT was the most improved large agency in the Partnership's *Best Places to Work* rankings. According to senior leaders at DOT, one of the reasons they have been most successful in improving employee satisfaction is that they hold their leaders accountable in their performance plans for managing people and for taking steps to address satisfaction and commitment in the workplace.

To facilitate similar improvements across government, we encourage Congress to pass legislation mandating all executives be held accountable as part of their performance standards for actions specifically linked to improving the engagement and performance of their subordinates. This should include a specific requirement for taking actions to either improve the performance of poorly performing employees or, when needed, for removing those employees from their positions if they cannot or will not perform at an acceptable level.